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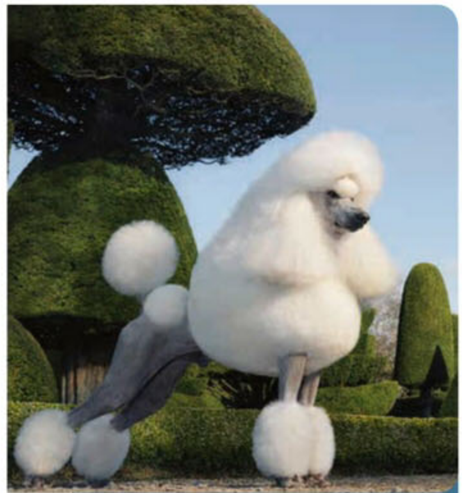

IN EVERY MONTH

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SAVINGS & GIVEAWAYS

FREE PROPERTY REPORT
SAVE $154
PAGE 90

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How to be street smart

Our housing market is now valued at $6 trillion. To give you an idea how big this is, it's three times the size of our superannuation industry. Finding value in this buoyant market is not easy. As our special guest writer and property expert Terry Ryder from Hotspotting says in our cover story this month investors need to regard all of Australia as their target market. This is not an easy task as the property market is made up of many sub markets.

In what is a *Money* magazine first, we have combined resources with hotspotting.com.au and ripehouse.com.au to narrow down your research to not just the right suburbs to buy into but the best streets within those suburbs ... and 133 streets that tick all the right boxes.

Talking of *Money* magazine firsts, you may notice at your local newsagency (or on the *Money* magazine app from the iTunes store) another issue of *Money* on sale – *Your 2015 Super Guide*. This one-off issue is dedicated to helping you get the best out of your superannuation whatever your age. We hope you enjoy it but, more importantly, find something in there to help boost your wealth.

feedback

LETTER OF THE MONTH

Family guarantor peril

If you are thinking about a family guarantee for your children, really think hard about it.

If your child thinks that they can afford to pay off a $400,000 house over 30 years, then let them pay the lender's mortgage insurance (LMI) that will be attached to the loan if they do not have enough for a deposit.

After all, factoring LMI over 30 years will only be a small amount of money that they will not miss each week – or specify that you will be guarantor for a set period (three years, for example).

By being a family guarantor it restricts your capacity to borrow again if you should wish to acquire a new home or investment property. Also note that even if you own your own home, when you go to sell it a charge will come up against your home which means that you have to put up a guarantee of some other sort to cover the costs should that family member be unable to pay their mortgage.

You can love your children but please be wary of family guarantees.

Terrie, Queensland

House of cards

I am trying to get my financial state of affairs back on track after really going off the rails. Five years ago I was in a very comfortable position. I was only 32 and had bought my first house, owned my car and had $14,000 in the bank, with no debts. But credit cards have been my downfall in the past few years. I signed up to a $10,000 Coles credit card and a $5500 Virgin Money credit card, both of which are maxed out. It was just too easy to spend without thinking about it. To add to the financial stress, the job I thought I had for life is now very insecure, with many forced redundancies in the pipeline for my industry. I am trying to stay positive and learn ways I can whittle down my debt and start saving again and your magazine offers me inspiration that I will get through this lean time.

Paula, South Australia

Negative effects

The debate about negative gearing seems to show no signs of slowing down.

My recollection of the abolition of negative gearing in 1985 is that property investors left the rental home market in droves, causing a shortage of rental stock and rising rents. This was the major reason the Hawke government re-instated negative gearing in 1987.

I cannot recall any current proponent of the abolition of negative gearing explaining how it will be different this time.

No doubt there are many younger readers of *Money* who were not around in 1985, or older readers such as myself whose recollection may not be as accurate as we think.

I suggest *Money* researches and writes an historical article about the abolition and re-instatement of negative gearing during the mid-80s. Interview politicians responsible for policy of the day. Other financial writers who were around at the time could contribute their recollections. Tim Lawless' article in the August magazine touched on the subject, but re-visiting history would be, I believe, beneficial.

The public discussion on the subject just seems to be going around in circles.

M Wells, Western Australia

Be thankful, boomers

I was reading Paul's letter to Jodie in August *Money* magazine and it got me a little annoyed. I am sick of baby boomers telling me how hard paying off a house at 17% was. I can totally respect that it would have been a challenge but what seems to go missing in this debate is that housing was very cheap then.

As a percentage of income people are paying more now to pay off their home than that 17%. I know Paul's response was more about risk and I am twisting his words but it annoys me. We still live in the land of milk and honey and things are pretty amazing. And history will show that this '90s period was a golden age and not some dark trial that boomers can wear as a badge of pride that they survived.

David, email

PRIZE WORTH WINNING

Each month we'll award one letter a 12-month subscription to *Money* magazine.

Write to: Letters, Money, GPO Box 4088, Sydney, NSW, 2001 or email money@bauer-media.com.au

Paul Clitheroe at the Tarn How money tree in England's Lakes District.

Compound interest, long term, is like having a money tree out back, writes Paul Clitheroe

SADLY, THERE ARE just no money miracles. Sure, just like a magic pill that would allow me to eat pizza and not exercise, while losing weight, a magic money pill would be just wonderful. But both are equally unlikely. Some would argue that a Lotto win is an example of a magic pill. My problem with that is not that there is a winner most weeks, but that the odds of winning are about 7 million to one. I don't want to be overly negative, but our chances of being killed in a car accident are much higher than winning Lotto.

Anyway, I was lucky enough to be in the United Kingdom and Ireland with my wife Vicki recently and we were wandering around the Lakes District. Tarn How is one of the don't-miss walks in the area and we strolled around the tarn. I didn't have a single money thought in my mind and then we came across a money tree. This, I thought, was fantastic. I've always wanted one of those. Now it was not what you may be imagining – a nice tall tree covered in money leaves – but a dead tree lying next to the path.

Into it were hammered more coins than I could count. This is not a new phenomenon, apparently there is a tree in Scotland with coins in it going back to the 1700s. One obvious opportunity was to return with pliers and pull out the cash, but this had two problems. First, the coins were generally low denomination and, second, I could be ruining someone's money wish.

It did, however, get me interested. As it turns out, I was right about the "wishing tree" aspect, but incorrect about money wishes. It seems that, as you bash in your coin with a rock, you can wish for whatever you like. But a frequent wish is for a cure to an illness and the legend is that, if you pull out a coin, you are likely to get that illness.

It did also get me thinking about our desire for money miracles. Lotto is certainly one example and I guess we could argue it is quite harmless as the amounts invested are small. But it is such a money trap. About the only true money miracle is compound interest.

Australians gamble billions of dollars a year. This is a real bonus for non-gamblers as the guaranteed winner is the tax office. So I really should not whinge too much about gamblers because they subsidise services to people like me who might invest $20 a year on the office Melbourne Cup sweepstake. This is a little like going to a club with pokies and eating and drinking without gambling. You benefit from food and drinks subsidised by those sitting at the poker machines or playing Keno.

If, for example, an individual gambled $10 a week on a Lotto-type game, I accept it represents just a few cups of coffee. But the advantage of coffee is that you get to enjoy it – you get an immediate benefit from your money. Lotto gamblers are more likely to get nothing in a lifetime.

It got me thinking about our desire for money miracles

Let's take that $10 a week and add it to your super. I won't get fancy and say this was salary sacrifice so that $10 a week is enhanced by tax benefits; I'll just stick with $10 from your pocket. Since its inception, compulsory super has seen average returns of about 9%. Let's quit Lotto and pop it into super. Let's start doing this as a 20-year-old, right through to retirement at, say, age 70. If you think 50 years is an exaggeration, some people do start playing at 20 and gamble every week of their life.

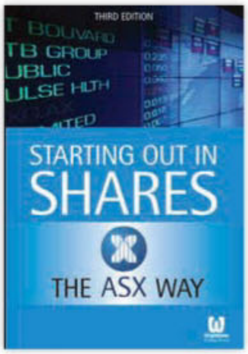
In super, that $10 a week turns into a payout of $715,382. Do this with $10 a week until you are 85 and it becomes $2,830,560. Note the big jump in the extra 15 years: that is compound returns really cranking up.

To be fair to Lotto, I'll show a couple of examples of gambling over fewer years. This also helps with my compound interest example. A 30-year, $10-a-week gambler would only see that money turn into $104,631 and a 20-year gambler just $35,754. Mind you, I'd prefer a pretty certain $35,000 out of my money over 20 years than a tiny chance of winning Lotto.

Our desire for a miracle win is illogical, mainly because we don't understand the power of compound interest. Play $10 a week in Lotto-type games and over a lifetime your odds of winning anything decent are negligible. But apply that $10 a week to a sensible investment and the returns, with a great deal of certainty, are huge, though it does take many decades.

Yes, I know, you could win Lotto tomorrow and someone will. But guess what: it is not likely to be you.

BOOK OF THE MONTH



STARTING OUT IN SHARES THE ASX WAY

Written by the ASX

WILEY RRP $34.95

Although its primary author is the ASX, a key contributor to the book is Tony Hunter. He has worked with the ASX for almost 30 years and is the head of investor education, managing a small team in producing financial educational content, including online courses, seminars, video casts, podcasts, share games and e-newsletters.

The ASX is one of the world's leading exchanges and has 150 years of experience. It lists about 2200 companies and issues and has 6.7 million share owners.

Starting out in shares the ASX way provides a basic grounding in shares trading and includes information such as how to buy and sell. It is ideal for investors wanting to seek objective data on how to begin buying and selling on the ASX. It also covers the benefits and risks of shares and where investors need to beware.

EMI BERRY

Ten readers can win a copy

In 25 words or fewer, tell us what confuses you most about share trading. Send entries to Book of the Month, *Money*, GPO Box 4088, Sydney, NSW 2001 or email: money@bauer-media.com.au. Include your name and postal address. Entries close September 30, 2015.

THE BUZZ

The bingo factor

About 68% of share returns come from dividends

A broker once described dividends and franking credits as the icing on the cake but they are so much more than that.

Dividends are a crucial part of investment returns. For example, dividends made up 4.6% of the 7.7% total annual return from the S&P/ASX 200 Index over the past 10 years. Then add in the franking that comes with dividends that is about a 1.5% credit and the total amount of dividend income becomes 6.1%, or about 68% of sharemarket returns.

Australia is one of only three countries, with New Zealand and Malta, that pay franked dividends to prevent double taxation of company profits. Shareholders are given a franking credit from listed companies to offset against personal income tax.

As most superannuation fund members hold about 25% of their balanced super funds in local equities, dividends and franking credits are an important source of income. Low 15% tax rates for superannuation accumulation funds and zero tax for pensions are much lower than the corporate tax rate of 30%. The Association of Superannuation Funds says, over 35 years, the dividend imputation adds about 8% to a retirement nest egg.

A franked dividend of $100 generates an after-tax return of $122 for an accumulation fund member and $143 for a pension fund member. These highlight how important franking is for retirees living on their pensions.

ASFA estimates that dividend imputation alone is worth about $4000pa in superannuation pension income for someone on average wages.

Self-managed superannuation funds hold even more Australian shares than managed super funds. The tax office statistics for SMSFs reveal an average holding of 50%. Yet, remarkably, the government has mentioned targeting dividend imputation and possibly abolishing it.

"Removing or changing dividend imputation may seem like a quick revenue fix for the government now, but it will have negative long-term effects on Australians' retirement savings," says Pauline Vamos, the chief executive of ASFA.

"Initiatives like franking credits help to incentivise Australians to put money away for retirement as early and as often as possible," she adds.

SUSAN HELY

THE BURNING QUESTION

Will the Australian dollar drop to 50¢?

Stephen Miller, head of Australian fixed income, BlackRock

There are significant headwinds facing the economy that will most likely have an impact on the Australian dollar and push it lower over the next six to nine months. First, the Australian economy is weak, second there are ongoing declines in commodity prices and, third, the US Federal Reserve will raise interest rates for the first time in seven years.

All these will flow through to a drop in the Australian dollar – that will not be dramatic or rapid – to 70¢ by the end of the year and 65¢ in the next six to nine months. If things get quite pressured, the $A could go lower.

The fall in the dollar is ultimately a good thing for the economy as it acts as an effective safety valve when imbalances build up in the economy. It will lead to investment in the tourism, high-end manufacturing, education and business services' sectors.

What it means for investors is that it will pay to leave some exposure to shares and bonds unhedged.

While a weakening currency means Australian property will be cheaper for overseas investors, households should be cautious as there are a number of indications that suggest the local property market is due for a correction.

FREE MONEY

Pension assets test

I heard that the amount of assets you can have before your pension is reduced is changing. Can you explain the changes and what they mean for most pensioners?

The changes to the pension assets test will not be effective until January 1, 2017. From then, the amount of assets you can have before your pension is reduced will increase, and the upper limit of assets you can have before you are no longer eligible for the pension will decrease.

I want to stress that your family home is in most cases not included in the pension assets test and this will not change. The bottom line is that about 88% of pensioners will experience no change to their payments because of these changes.

In fact, more than 170,000 pensioners will be better off as a result and roughly only 8% of pensioners will experience a reduction in the amount they receive.

For more information on the changes for pensioner assets, visit the website humanservices.gov.au/assets. If you have questions about your circumstances, visit humanservices.gov.au/fis.

HANK JONGEN, DEPARTMENT OF HUMAN SERVICES

BOTTOM LINE

Bespoke bike loans

Need a new bike? There is no excuse with this great bicycle loan from the Sydney-based Transport Mutual Credit Union.

Riding a bicycle is a no-brainer. It's good for your health and, as an alternative to fossil fuel-burning cars, a great way to help save the planet – not to mention your hip pocket as you can save on your transport costs after you have paid off the bike.

About 3.6 million people ride bikes in Australia each week. Kids are the biggest bike riders (44%), while 5.1% of Australians ride for transport and 14.1% for recreation.

The Transport Mutual Credit Union has people's best interest at heart. After all, it is a community-based credit union that exists for the benefit of its members. Transport Mutual specialises in car, home and personal loans with low rates and it has taken a stand to get people on their bikes and improve their health. Remarkably it is offering what it calls the FreeWheel Bicycle Loan with no interest and no fees. Yes, that is right. No cost to the customer. All you have to do is pay back the principal amount.

The features are hard to beat. Transport Mutual offers you to opportunity to repay the loan over two years and not pay any fees or interest. It offers quick approval, often within one day.

Why not take the opportunity to upgrade your bike to a better quality one? A lighter frame, better gears, great brakes – your body will love you for it. SUSAN HELY

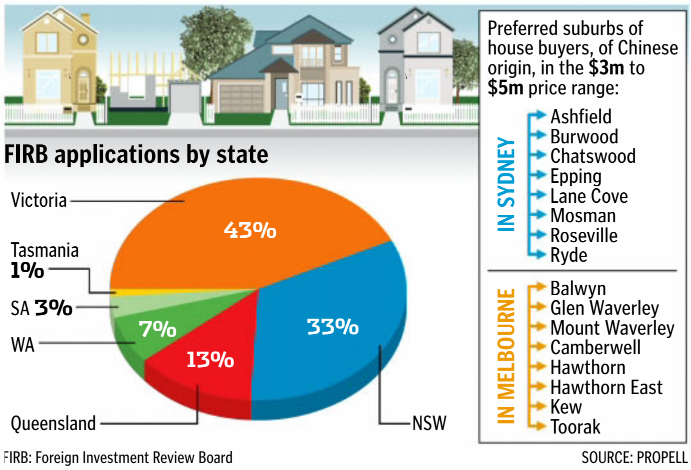
MONEY VERDICT

It is hard to get a better deal. This is a first for bike loans. Other bicycle loans charge interest from day one or offer a short free period, but then the interest kicks in plus a requirement to sign up for a credit card and ongoing monthly fees. Some bike shops offer finance when you buy but this loan has better features. Innovative products like this are offered by community-based groups such as Transport Mutual because they want to give back to their member-customers, unlike a publicly listed bank.

JIM TSINGANOS

THE TRUTH ABOUT FOREIGN BUYERS

The Foreign Investment Review Board reports foreign investors doubled their presence in local residential property in 2013-14: there were 23,054 residential applications worth $34.7 billion. Propell National Valuers' report makes these points: foreign approvals were 7.5% of all sales and Chinese buyers accounted for 21% of approvals; the average price was $900,000 (possibly as Melbourne and Sydney dominate locations at 75%); the increase may reflect awareness of the need to comply. LINDSEY LEATHART



APP OF THE MONTH

Forex Money Transfer cost: free

OS: iOS, Android

If you happen to make frequent transfers to overseas accounts, you'll know the pain of changing exchange rates. Bank fees, delays and extra charges can take a sizeable chunk out of your transfer and if you regularly send large sums of money, the pros might actually be outweighed by the cons.

OzForex has released its Forex Money Transfer app, which aims to make currency transfer more affordable. The app has a live exchange rate tracker, allowing you to set an alert for your preferred rate. Once the currency reaches your selected rate, you receive an instant notification, giving you the best window available for your transfer.

OzForex also promises cheaper transfer fees than the traditional banks, which has received praised by consumer group CHOICE. Using the app, you can make overseas bank transfers at any time of day, in 98 currencies. STEPH NASH

WHAT'S NEW

Amazon launching pad

Global platform for tech start-ups

Global shopping site Amazon.com has opened its doors to start-ups with its new platform, Launchpad. It allows entrepreneurs from firms such as IndieGoGo to advertise and sell products online to an international audience. For shoppers, this means that for the first time, innovative technologies will be available for purchase as soon as they're manufactured and cheaper retail prices.

For start-ups, Launchpad streamlines business development by handling advertising and sales, allowing entrepreneurs to focus on development. There are a number of cool products available to shoppers, including Ice's floating orb Bluetooth speaker that levitates, spins and plays music.

App for business receipts

Collecting, saving and managing business receipts can be a hassle, especially when you're travelling. A new partnership between Australian travel management start-up Locomote, and global account-keeping tech firm Expensify promises a new technology to streamline travel expenses and planning for companies. With the Locomote app, employees can digitally store photos of business receipts when travelling and send them directly to managers for approval. The same goes with flight booking details, allowing direct communication with managers without changing apps.

Finance managers can view detailed expense reports, immediately generated and emailed when they are approved.

Postal panache

New postage service Sendle allows users to book a postal service from your mobile phone. When you book postage using the Sendle app, you're charged a flat rate for your package.

All same-city deliveries cost about $10, regardless of the size or weight.

A 10kg package from Sydney to Perth is estimated to cost only about $17.60, which is about half the cost of delivery through Australia Post. STEPH NASH

TAX TIP

Check the inbox

More services are now available online

The tax office took some criticism recently from taxpayers for the unreliability of its computer systems around the start of the tax year as many had difficulty lodging returns using the myTax online system.

Those problems now seem fixed and along the way the ATO has made significant improvements to the quality and quantity of services online.

If, like at least 6 million Australians, you have a myGov account, you'll now start to receive most items of correspondence from the ATO electronically into your myGov inbox rather than as paper items through the post.

Most significantly, your notice of assessment will be delivered electronically when you submit your tax return, as will statements of account, confirmation and reminder notices and activity statement or instalment notices (if you're in business).

So, if you've lodged your return and are wondering why nothing has arrived in the post, check your myGov inbox.

You can update online your personal information such as contact details and financial institution details (essential for returns). If you owe tax, you can also make payments online and, if you need time to pay, you can arrange payment plans.

MARK CHAPMAN IS DIRECTOR OF TAX COMMUNICATIONS WITH H&R BLOCK

James Morrison's musical success comes down to a combo of talent, realism and joie devivre, writes Deborah Light

Brass act

JAMES MORRISON didn't decide to be a musician, he discovered he was one. So when he's asked about a career in music – mostly by parents worried that their musically inclined kid will need something to fall back on – he gives the same answer he has since his teens: "If you think you need a back-up, then you do, because a musician would never consider it. If you're thinking, if this doesn't work out, I can do that – then you'll be doing that. The people who make it are the people who say, 'If this doesn't work out I'll still be doing it, I'll just be broke'." For the dedicated, however, the outlook is sunny. "We're surrounded by music – there isn't a TV commercial or a shopping centre without it – and someone's got to write it and play it. The idea that computers will do that – noooo – they've tried that for a long time. It doesn't work."

If he wasn't laughing, Morrison might seem earnest, even preachy. But his eyes are alight, his grin mischievous. He's laughing even when he's serious so you wonder if the only time the smile gets wiped off his face is when he's communing with his instruments. And then, his many fans will tell you, the magic happens; the kind that's made Morrison a world-class jazz musician.

He's a multi-instrumentalist performer, music director, composer and teacher – celebrated above all for his mastery of the trumpet. (Morrison famously wooed his wife Judi, a former Miss Australia, with his trumpet while he was naked in the shower, incidentally. The tune was *My Funny Valentine* and the two have now have three boys, one at a Melbourne university and two musicians, studying at the James Morrison Music Academy.)

Not that Morrison's understanding of fame accords with the norm. He likens it to owning a station wagon – it's a tool. With the latter, great, you can fit a double bass in the back. With the former, great, you might get more work, maybe a better table at a restaurant. "You can go on *Big Brother* and be inept at everything – in fact it may be one of the requirements – and be famous. I may have become famous because I can play, but I could do everything I do and – provided I made sure no-one saw me do it – I'm not famous, but I'm still as talented. Fame is nothing to do with you. What keeps you level-headed is that, if people are walking around saying 'This man is the greatest', that's what's in their minds. It doesn't change you at all and I teach that to my music students.

"Any talent is a responsibility. You're just luckier, more grateful. It's been embarrassingly easy to do what I've done musically so I feel I should pass it on. You see how it lifts people – also you want to teach other people how to do this."

Born in rural NSW, Morrison is one of three children whose father was a Methodist minister. Yes, circumstances were modest, but only in retrospect. "You couldn't afford a car, so you walk to school. Holidays were coming to my grandmother's in Sydney once a year. The idea that some people might have gone to exotic places further afield didn't factor into it."

Music surrounded them and Morrison was playing piano by six, had his first band aged nine and was being paid to perform from age 13. Of high school in Sydney's Mona Vale, Morrison remembers: "You could get away with doing almost nothing." He was actually working hard, he protests, writing music and running his ensemble. "I just wasn't in the classes they were having." He didn't finish high school; he just stopped going in Year 10, then joined the Conservatorium of Music to do a jazz diploma.

All through, Morrison has taken every gig going, paid or not. He recalls playing at the school fete, when an otherwise bored dad hired James, 15, for his nightclub band. And when the work wasn't coming in, he went out and got it, talking venue managers into trying the band for free then, when takings increased, bargaining for a percentage.

Morrison is pretty much always on tour. "So far it's 35 years, I'm actually travelling more time than I am stopped in any one place." It's a schedule most might profess to find exhausting. More nonsense. "Flying to Singapore (as Morrison will within days of

FACT FILE

James Morrison, AM, multi-instrumentalist jazz musician, conductor, composer and artistic director of the Queensland Music Festival; founder of the James Morrison Academy of Music. Age 52. Lives Mt Gambier, South Australia, and Sydney, NSW. Former co-host of *Top Gear Australia*. Author of memoir *Blowing My Own Trumpet*. First paying job, playing at the Newport Royal Motor Yacht Club for $20, age 13.

NEWSPIX

"You can spend most of your whole life being rich, mostly by being grateful for what you've got ..."

this talk), you sit in a chair while someone brings you food and you're watching movies for eight hours. Then somebody picks you up and drives you to a hotel.

"The idea that this is tiring is totally in your mind. You don't have to pedal or anything. Going to the beach is tiring if you don't want to go. I guess the reason none of it's tiring to me is that I want to do it."

A while after the GFC hit, he and Judi – who handles the household budget and pays the band – noticed work was dropping off, so they downsized. "We've had times in our life when we've been fairly highly geared. I've always been into investing - mostly property, not big things. I said why don't we sell the big house and realise the capital gain after 20 years?"

They sold that off, with other "bits and pieces", retired debt and one beneficiary is Morrison's beloved music academy, a huge financial commitment and a not-for-profit enterprise that opened earlier this year; he established it as a propriety limited company: "So I can say these are the teachers and this is what the curriculum should be."

Musicians are notoriously bad at managing finances, Morrison laments, so that's taught at the academy. "They're so focused on their music they don't pay any attention to things like how you do an invoice or get an ABN. It didn't used to be like that; you walked out of a club and the owner gave you a roll of cash and you'd pay the band." Morrison has had hired help since his late teens – a manager and an accountant – because he wanted to concentrate.

Even now, he checks up regularly. "You can't watch every transaction, so I do random samples. I'll have a look the cost of the fuel for that flight, for example. Or ask, are you charging GST on that? Maybe you find an anomaly and dig a bit deeper; you keep yourself up to date."

On how he views wealth, he tells his sons: "There's a percentage of the world population that's poor and a percentage that is rich and it has very little to do with

An endearing Australian image ... James Morrison and his trumpet.

how much money they've got; it's how they view the money they've got. If you've got a bill and you can't pay it, then you're poor. If you can pay what you need to then you're rich.

"I know people with serious amounts of money who spend their days either trying to get more money or trying to secure the money they've got. That makes you poor because you're exactly like a poor person: what am I going to do about money today? I laugh when I'm on the boat and there's someone with a mega-yacht and a bloke nearby in a tinny, fishing, and they're both looking at the same sky and the same water. What's different is if you're sitting in your tinny looking at the yacht going, if only I was rich. And the guy in the big boat often goes, I can't go for a swim, I've got to check these stocks.

"I find that true wealth is having enough and that's partly related to what you've literally got – but mostly related to how you view it. You can spend most of your whole life being rich, mostly by being grateful for what you've got and having that attitude."

> I laugh when I'm on the boat and there's **someone in a mega-yacht** and a bloke nearby in a tinny, fishing, and they're looking at the same sky ... same water.

Morrison collects cars, has a nice boat and commutes around Australia in his new Piper Navajo. But he gets the same thrill out of a $5000 old Benz as a $500,000 marque, he reckons, because "I actually love cars, not what people think of me when I'm in them. For me to go 'I've got a Lamborghini and somehow feel I'm different', that would really worry me. Your feeling about who you are as a person, and how your life is, is somehow resting on this $600,000 car? What if you lose the car? You've just been diminished. I couldn't walk around all day feeling calm if I knew my actual being was somehow related to something that could be taken away. I don't think I could function."

The toys are fun but, change the financial circumstances, and the toys would just get cheaper and still be fun. "Everyone likes a reward; you're enjoying the fruits of your labour. I just caution that the fruits of your labour need to largely be the labour itself. The bits at the end are great fun but, if you're doing it for that, you get disappointed a lot of the time because not everything works out like you thought it would. If the actual labour itself is why you're doing it – then you're getting the payoff all the time."

CASE STUDY

Residency red tape

There are avenues for approval streamlining for those on bridging visas, writes Susan Hely

NAME: Irene Jackson
STATUS: Retired
QUESTION: I am on a bridging visa and in line for an Aged Parent Visa sub-class 804 visa. Can I change to another? What is the cost, length of time and what is involved? What can I do about my strata levies? What sort of health insurance should I get?
SOLUTION: Cancel your Aged Parent (non-contributory) Visa and spend $50,000 to switch to an Aged Parent (contributory) Visa for a much shorter wait for permanent residency. Take out visitors' health insurance from a major insurer. Not a lot you can do about your strata levies as they are not excessive.

Self-funded retirees such as Irene Jackson are feeling the pressure of trying to get by on limited retirement savings. "Living in Sydney is very expensive," says Irene. The Association of Superannuation Funds of Australia estimates single retirees need about $42,569pa to afford "a comfortable" retirement, or $15,875 less than a couple. Irene gets less than this and writes all her spending in a ledger, measuring her consumption of certain goods such as shampoo, cleaning materials and food items. "If I am not careful, there would be nothing left."

Irene came here on a bridging visa to help her son and his wife when they had twins and is in the queue for an Aged Parent (non-contributory) Visa. She sold her house in the UK and lives on her UK state and teacher pensions which cost her $46 a month to move across to Australia. She can't work on her visa, doesn't have access to the age pension, has a temporary Medicare card and has no access to senior concession cards. She is allowed a bank account and works as a volunteer for a Christian charity. Can she change her visa?

One of Irene's biggest expenses are strata levies for her two-bedroom unit. She pays about $4000 a year which is split between upgrading fire appliances to be in line with regulations and $2000 administration and maintenance. She has been asked to pay a further $4500 for the fire upgrade of the site and building. She wonders if these levies are excessive. Can she do anything about the levies and about speeding up work on her apartment?

YIANNI ASPRADAKIS

Visa switch saves wait

HELEN DUNCAN

Helen Duncan is the director of AMVL Migrations and a registered migration agent (MARN 0003187) and a fellow of the Migration Institute of Australia. www.australianmigrations.com

Irene is on a bridging visa and is in the queue for an Aged Parent (non-contributory) Visa. There is a very long queue for the Aged Parent Visa as only 1500 such visas a year are granted. Immigration is finalising applications that were lodged in April 2009. It is estimated that a person applying now would have to wait 30 years before being granted one.

The Department of Immigration will have given Irene a queue date and she will be able to log in and find out how many people are ahead of her. Once Irene receives her Aged Parent Visa she will be a permanent resident. Then she will be able to get a Medicare card that doesn't need annual renewal and concessions for services such as public transport. Irene won't be eligible for the age pension as she must be a 10-year permanent resident.

If she wants to get private health insurance while on the bridging visa, she will probably have to buy visitor health cover and this is available from major insurers. One of the issues of waiting a number of years for the Aged Parent Visa is that if your health deteriorates or you need to go into aged care, the costs can be very high if you are not a permanent resident of Australia.

I have seen many horrible situations with older people who are not well. Sometimes they must return home for care. One way to expedite Irene's permanent visa is to apply for a Contributory Aged Parent Visa, which costs more (visa fees are about $50,000) but will take only about six months to come through. In the long run this is much better.

However, you can't swap from the Aged Parent Visa to the Contributory Aged Parent Visa. Irene must withdraw the application for the Aged Parent Visa and at the same time apply for the Contributory Aged Parent Visa.

Medicare relief likely

HANK JONGEN

Hank Jongen is the general manager of the federal Department of Human Services. He is the department's primary spokesperson and has been a member of the senior executive service for 21 years.

Eligibility for Medicare and Centrelink is based on a number of conditions and criteria, including the type of visa you may hold and generally require a person to reside in Australia.

Looking at Irene's situation, she may be covered by Australia's Reciprocal Health Care Agreement held with the UK and I would encourage her to contact the department to test her eligibility for Medicare. A bridging visa does not automatically provide access to Medicare, however people who hold an Aged Parent Visa (sub-class 804) are eligible for this.

Anyone who holds a bridging visa is not residentially qualified for income support payments or services. Most income support payments incur a newly arrived resident's waiting period or qualifying residence period of two years from the date the permanent visa is granted.

Once Irene is granted her permanent visa, she will be subject to a two-year assurance of support before she can access payments. This means an assurer agrees to support Irene in Australia so that she doesn't need to rely on government payments. See humanservices.gov.au/assurance for more information.

If Irene becomes an Australian resident, I also recommend getting in touch with us so we can look at her circumstances.

Get on board

SUZIE BROOME

Suzie Broome is a strata and community title practice partner at Makinson d'Apice Lawyers, specialising in strata law. www.makdap.com.au

Irene's standard contributions of about $2000pa to the administrative and sinking funds is not excessive; nor is the additional amount of $2000pa to cover fire compliance upgrade works (depending, of course, on what those works are). The further amount of $4500 for fire upgrade works is also probably not excessive, depending again on what the works are.

The owners' corporation has to pass a resolution at a general meeting to impose those levies and the time by which they must be paid. Once it has done so, the legislation makes their payment, and the timing of the payment, mandatory. While it is standard to provide for normal levies to be paid quarterly, often the timing of additional levies (such as for the fire upgrade works) is dependent upon the timing of payments the owners' corporation must make to the fire upgrade contractor.

Once the timing is set there is no provision for an alternative payment scheme.

Having said that, often owners' corporations enter into informal payment schemes with owners facing financial difficulties; they are not bound to do so and those schemes aren't sanctioned by the legislation.

These issues indicate the importance of having a say on the executive committee and getting a more meaningful response to her questions about the structural repairs affecting her unit. I think that Irene should involve herself more in the day-to-day running of the strata scheme by, first, attending all executive committee meetings. Although she cannot address the meeting unless invited to do so, she will learn at first hand the issues facing the strata scheme and get to know her fellow owners, particularly the members of the executive committee, better.

At the next annual general meeting, she should consider proposing herself for membership of the executive committee. If elected, she will have a real and more direct voice in the functioning of her strata scheme.

Finally, the structural issues affecting her unit are almost certainly in the common property, even if they are physically within her apartment. The owners' corporation has a mandatory statutory obligation to repair and maintain the common property and is not entitled to ignore her requests that it do so.

Halil's home strategy is clear, with ...

More interest at his fingertips

Q I am a 33-year-old man. I have savings of $35,000, for which I get interest of just 2.5 % from the bank. I am saving money to buy my first home, which may take at least couple of years. Is there a safe investment from which I can earn more interest?

A There are investments that generate higher returns than cash over the long term, but they do come with increased risk. Considering you're saving to purchase a home in the next couple of years, you can't really afford to lose capital, which could set you back significantly. I appreciate it is pretty dull, but I think you have to save via a high-interest online savings account or term deposits. Two to three years simply isn't long enough to invest in shares or higher-risk assets. What you can do to help you reach your goals is to focus on setting a budget and saving. Budget to save a certain amount each month and each year.

Do shop around to get the best rate on your money as online accounts usually offer a bonus rate for a few months. This will help a bit, but the big difference will be your ability to save.

If your interest rate was increased by 1%pa, your savings would grow by an additional $350 this year. You can have the same impact by having a couple of less coffees each week, or negotiating to move to a better-value mobile phone plan.

Hugo's solution is to ...

Keep building the offset

Q I am 32, my wife 31 and we are expecting a child in February. My wife will take 12 months maternity leave, including 18 weeks on full wages. We have an 18-month-old daughter. We'd like to send both kids to private school from year seven onwards, now costing $30,000pa. I'm self-employed and earn $125,000; my wife works part time earning $75,000 .

Our home is worth $1 million with a mortgage of $455,000. I have $60,000 in super and my wife $75,000. I put $500 a month of my pre-tax income into super. We have $190,000 in savings, offset against our mortgage, and $20,000 in a top 20 Aussie ETF. We want to increase our wealth but managing kids, a second maternity leave, a mortgage and being reduced to one income (temporarily), we can't agree on a strategy of property, shares or are confident we can afford private schooling.

A With $550,000 of equity in your home, $135,000 in super and $210,000 worth of savings in both your offset account and shares, you're in a very strong position for a couple in their early 30s. You're also wise to plan ahead for your children's schooling. With two kids attending private school from grades seven to 12, you'll easily spend the better part of half a million dollars once you factor in textbooks, uniforms, school trips and fees inflation.

It's clear that you've been disciplined with your personal finances and have good financial habits – for example, you've continued to contribute to super even though you're self-employed. It's also good news that your home loan is quite manageable.

The safest course of action would appear to be to continue building up your offset account. This will give you an impressive return on an after-tax basis, in that your effective interest rate will be equal to your home loan rate (at about 5%), and you won't have to pay tax on the interest you save. You'd need to earn about 8% before tax to find an investment as effective as your offset account. It's just about risk free.

The final advantage of building up your offset account is flexibility. Not only will the account generate you an impressive return, you'll be able to access the funds whenever you need to – handy once the kids start school.

GETTY IMAGES

James' property misgivings are ...

Easily solved with sell-off

Q I am a 38-year-old health professional with my own business grossing about $500,000pa. My wife and I have our home, two residential investment properties and a commercial investment property. Total value of these properties is about $2.95 million and the debt owing is about $2.4 million. I have always invested fairly aggressively in property, buying my first house at age 25. Recently I have questioned this strategy. Property values have been stagnant in our city for some years now and the rent has actually fallen on one of our properties. The cost of maintaining the properties as they age seems to be rising, with repair bills running into the thousands and sometimes even tens of thousands. The tax deductibility helps but, after all this, will I still get ahead in the long run?

A Hi James. We tend to love property so much, we overlook the costs side of owning it. I enjoyed reading your pragmatic views. You also have a significant amount of debt and, all in all, you're more than 80% geared. Property can be a good way to build wealth as part of a diversified portfolio, but it looks as though you've gone all-in with your exposure to property.

Your business may gross $500,000, which is terrific, but the important figure is how much you make after expenses. As you are a health professional, I would imagine that you have a reasonable capacity to earn, so I'm not too worried about you struggling with debt in the short term. That said, I think it's important you get your debt load under control and think about diversifying your investments.

At the very least you should spend the next couple of years paying down the property debt – and it may be worth thinking about selling one or a couple of the properties to reduce your gearing. In a methodical way, rank the future prospects of each property and consider selling the underachievers to reduce your debt and other holding costs. Tying your future just to property in your area is a high-risk plan. So once you review your portfolio and possibly trim it to properties with the best prospects, I feel it will be time to diversify. You mentioned tax, and I suspect you pay plenty. At a minimum I'd like to see you making the maximum deductible contribution to super.

Take a look at the geared super options offered by, say, Perpetual and MLC. I think a fund that matched your contributions with the same in debt would fit your personality. This would spread your risk and give you tax advantages and exposure to assets that have better growth potential – and no hassle.

John is ready to build his assets, so ...

Risk tolerance is the question

Q I am 46 and my wife is 47. I earn about $80,000 and my wife about $30,000. We own our home worth about $2 million. I am in the Telstra defined superannuation scheme and my super will be worth about $300,000 upon retirement; my wife's is $100,000. My wife would like to stop working in five years. We have three kids aged, 21, 18 and 13. We would like to be secure in our retirement but are unsure what we should invest in while we are both working – shares or property or more into our super? We would need to borrow the money – is this a wise decision?

A It's great to hear that you own your own home, are debt free and have solid super balances. You're already in a strong financial position, and can use the time remaining in the lead-up to retirement to boost your assets considerably.

You have the classic "risk-return" trade-off question to answer. Yes, you could borrow and buy an investment property or shares, and that would bring the higher risk that debt entails. If interest rates go up and property values fall, things will not look so good.

Mind you, over time I do believe property value will rise. So if you can wait to cash in on a property's value, the risk is not so high.

Given you own a $2 million home, which is a lot of exposure to property, an alternative would be to investigate the possibility of salary sacrificing into superannuation. The advantage of salary sacrifice is that it would reduce the amount of tax you're paying and at the same time give your retirement savings a welcome boost.

However, you will need to look into whether this strategy is allowed by either of your super schemes. This, of course, involves no gearing, so much less risk.

The call has to sit with you. But in your position – with a very large chunk in property through your home – personally I'd go with the super top-up plan, or build a share portfolio using modest debt.

Retired David should ...

Think about saving outside super

Q My wife and I (aged 70 and 67) are retired. Our combined minimum pension drawdowns are greater than our spending needs. We have thought of rolling some of our pensions back into accumulation mode in order to conserve those funds for later needs, for example aged care. We know that the earnings in accumulation are subject to 15% tax. Are there any pros and cons from doing this? Is there an age limit to move between accumulation and pension mode and vice versa?

A Having a greater minimum drawdown than your spending needs is a wonderful problem. It means you are making careful use of retirement savings and of budgeting to ensure you spend less than you earn in retirement.

It's worth remembering that your allocated pension income will be tax free in retirement as you're over the age of 60. You're also likely to be eligible for the Senior Australians and Pensioners Tax Offset (SAPTO) which means you will each have an effective tax-free threshold of close to $29,000. All in all, you can have quite significant savings outside superannuation without needing to pay any tax.

Having savings outside of super may also come in handy if you'd like to one day enter aged care, in which case you'll be able to fund your aged care costs without needing to dip into your allocated pensions accounts.

All in all, so long as your earnings from investments outside superannuation amount to less than $29,000 each, you'll likely be better off choosing that option, rather than rolling part of the allocated pension back to super and incurring a 15% tax rate.

If, however, you did want to roll some of your pension account balance back, you'd be returning what are currently tax-free pension asset earnings to a 15% tax environment. You'd also need to be very careful, particularly if you are receiving any age pension and your allocated pensions are "grandfathered".

So I suspect you may be wise to leave things as they are, but I do not have full information on your situation, so I suggest you take professional advice to be clear about your best option.

DO YOU NEED PAUL'S HELP?

Send your questions to:

Paul's Answers, *Money* magazine, GPO Box 4088, Sydney NSW 2001 or money@bauer-media.com.au.

Sorry, but Paul can't personally answer your questions other than in the Q&A column.

GETTY IMAGES

Do You Make These Common Renovation Mistakes?

How a single mother from the Western Suburbs of Sydney has climbed the property ladder to become Australia's undisputed Renovation Queen & Celebrity TV Renovator.

This page is addressed to those thousands of honest, hard-working men and women who want to take things easier some day. But sooner rather than later.

Have a think about the successful people you know. What have they got that you haven't? Or more importantly, what are they DOING that you're not? Have you ever wondered if there is a secret recipe for success?

These are all important questions – having a thorough command of your own financial destiny is possibly one of the greatest assets you can have.

Imagine being in the position to say, "I can't afford to keep my day job anymore"... Well that's exactly what Cherie Barber said 13 years ago.

How She Did It

With a background in marketing for an international cosmetics company, Cherie always had a passion for property. At just 21 years old, she purchased her first home to live in. After making some basic improvements, Cherie on-sold the property and made a tidy little profit in the process.

It was that initial taste of success from the property game that had Cherie hooked.

For the next few years, she spent most of her weekends renovating and flipping properties for impressive profits.

So much so that in 2002, she left the safety and security of her full-time job despite the impressive pay.

What on earth was she thinking? Was she crazy?

Well, as Cherie put it, she simply...

'Could Not Afford To Keep Her Day Job Anymore!'

And that's no joke. Her second project that she worked on, over just 8 weeks, earnt her $268,000 - almost 3 times her annual salary.

In Cherie's first year as a professional renovator, she bought 6 houses with a combined value of $6.2 million. She did this with no stable income, no job and little money behind her.

Fast forward to 2015 and Cherie has completed more than 50 professional renovations and been involved in property deals with a total value in excess of $50 million.

And for 8 of those years, it has all been achieved while raising her daughter as a single mum.

So how did she do it?

Her Remarkable Innovation

To answer the question I posed earlier, YES... There is a recipe for success!

In the case of Cherie, it involves 20+ years of renovating properties, countless hours spent studying the property market and a long period of trial and error and valuable lessons.

This has enabled her to develop a detailed 8-step strategy and a long list of common errors and mistakes that regular renovators make.

"What most people don't know is that there is an 'art & science' to renovating for profit."

I won't sugar coat it. Renovators everywhere are throwing money down the drain. And if you haven't already, it's likely you will in the future if you plan to renovate, even if it's your own home.

So tell me... *are you making these common renovation mistakes*?

- ☑ Wasting money by going over-time and over budget...
- ☑ Paying too much for basic materials...
- ☑ Not knowing the right amount to spend on your bathroom, living room or kitchen...
- ☑ Getting ripped off by tradies...
- ☑ Finding out the crippling costs of 're-work'...
- ☑ The list goes on...

<u>Important</u>: How Cherie Can Help You Today

Obviously we can't cover everything here, however Cherie has unveiled the 21 most common mistakes renovators make and how to avoid them on her brand new DVD. And it's FREE.

Imagine being able to replace your entire income via something that's real and achievable so you can spend time doing the things you love in life.

Things like:

- Spending more time with your friends and family...
- Buying all those nice things you keep passing up on...
- Having the cash to take more holidays...

Cherie Barber – 'Celebrity TV Renovator'

- Securing financial freedom for yourself and your family...

Well today you can take an important first step.

Cherie is giving away a free DVD that could save you thousands on your own home or next property.

We can send it to you upon request today. Visit: www.CherieBarberLive.com.au/FreeDVD or Phone Freecall **1800 899 058** and use **Promo Code MD915.**

Alternatively, cut out the coupon below and send it to us in the post.

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FACT FILE
• By far one of the best hotels we stayed at during our US holiday was the Omni San Francisco Hotel. Ranked #2 of 234 hotels in San Francisco by Tripadvisor, the overall experience at the Omni was outstanding.

Destination: San Francisco

Five things to do


San Francisco's iconic Golden Gate Bridge.

1. Visit the Exploratorium at Pier 15: The Exploratorium is like Questacon (the National Science and Technology Centre in Canberra) on steroids. Conveniently located at Pier 15 close to public transport, the Ferry Building Marketplace and cafes, this museum of science, art and human perception offers visitors of all ages plenty of hands-on exhibits. Adults $US29 ($39.55), youths (13-17) $US24 and children (4-12) $US19.

2. Visit Alcatraz Island: Yes it may seem a little cliché (like walking across the Golden Gate Bridge when visiting San Francisco) but a visit to "The Rock" is well worth the effort. In peak holiday periods, you need to book in advance. If you do it online, make sure you buy tickets via the iconic island's official website: www.alcatrazcruises.com

3. Visit the Walt Disney Family Museum: Located in The Presidio, part of the picturesque Golden Gate National Recreation Area, the museum recounts the wonderful world of Walt Disney and his family. Disney's life is illustrated through interactive galleries, music, videos, drawings and displays. Also take the opportunity to explore The Presidio itself. Visit www.presidio.gov for more information.

4. San Francisco Museum of Modern Art on the go: Although the SFMOMA is closed for expansion until early 2016, you can still experience exhibitions and displays around the San Francisco Bay area. For more information on what's on, visit www.sfmoma.org

5. Drive to Los Angeles: Considered one of the best coastal drives in the world by *Conde Nast Traveller*, Highway 1 between San Francisco and Los Angeles is one to put on your bucket list if you enjoy road trips. We chose to stay overnight in Monterey and Santa Barbara with a quick stop at Hearst Castle in San Simeon. EMI BERRY

WINE SPOTLIGHT

2014 Houghton 'The Bandit' Frankland River shiraz $19.95

Imagine a multiple trophy winner for less than $20. Ross Pamment and his team at Houghton are crafting superb wines often in large quantities. This label celebrates the West's most famous bushranger, Moondyne Joe, who dallied too long in Houghton Swan Valley cellars and was captured by the police. At the 2015 Brisbane Show, it won the Stoddart Trophy, plus Best Shiraz and Best Red Wine of Show. The 2014 'The Bandit' Shiraz has seamless, silky smooth texture, restrained yet generous savoury flavours and wonderful approachability. I don't believe you will drink a better red this year for the price.

SPLURGE

2013 Neudorf 'Moutere' pinot noir $75

The classy chardonnays and pinots of Nelson's flagship winery, Tim and Judy Finn's Neudorf, are worth seeking out. Their 2013 Tom's Block is satiny smooth, pure and primal, satisfying and ready to drink. The 2013 'Moutere' pinot noir is more restrained, even tight and unyielding, at present. I tasted it one day and drank it with dinner on the following night when it opened up with wild bramble and briary aromatics, richly concentrated complex savoury flavours, with a hint of schisty minerality on the finish: almost taut, fine and impeccably balanced. It's an ageworthy pinot of the highest quality that will reward patience.

PETER FORRESTAL, TWITTER.COM/QUAFFONLINE

GETTY IMAGES

DRIVING PASSION

Hatchback heroes

Great things come in small packages

One of the best-selling cars in Australia was recently treated to an update – the Toyota Corolla hatch now levels with the sedan version by including the very handy safety feature of a reversing camera. Now, a car with the loyal following of the Corolla doesn't necessarily need to be on the cutting edge but it doesn't hurt that the facelifted version is sportier looking and more fuel efficient than before, too. Toyota's evergreen compact hatch and sedan are also a better drive in current 11th-generation form (yes, the model has been around since 1967!) than they have been in recent iterations, which has already helped them in the showroom battle with the Mazda 3, the favourite, in which innate sportiness and the availability of gutsy SP25 versions seal the appeal.

The Volkswagen Golf has steadily shifted from relative obscurity to desirability over the past decade or so on the back of the fundamental brilliance of the fifth-, sixth- and now seventh-generation versions. The current Golf takes refinement, efficiency and overall appeal to new levels for both the model and the small-car class. Add sharp pricing and the German hatch now finds itself in the hunt for the big small-car players.

JAMES WHITBOURN

$19,790-$30,990

Toyota Corolla

The Corolla's affordability and reliability reputation provide a powerful motivation. It isn't as exciting to steer as the Mazda 3 or as luxurious as the Golf, but it's a safe bet for years of low-cost driving.

Pros: Hatch now gets reversing camera and uses less fuel than before; spacious cabin; longevity.

Cons: Not quite as fuel efficient as the Mazda or Volkswagen; sedan's conservative image and personality.

toyota.com.au

$20,490-$41,290

Mazda 3

The Mazda 3 range spans a broader price bracket than the Corolla. At the range midway point are great value 2.5-litre petrol versions while a well-equipped version with a potent 2.2-litre turbo diesel tops the line-up.

Pros: More variety than in Corolla range; sporty SP25s are great fun; flagship XD Astina fast, frugal.

Cons: Sportiness comes at a small cost to quietness and refinement; top-level versions expensive.

mazda.com.au

$21,490-$34,790

Volkswagen Golf

You couldn't always buy a Golf for (near) Corolla money which, with the model's rising polish and refinement, has seen sales soar. The well-rounded entry-level 90TSI is all the car many people will need.

Pros: Classy design and interior finish; quiet and refined inside; responsive turbo engines are also fuel efficient.

Cons: Popularity growth means Golf is no longer an individualist's pick.

volkswagen.com.au

EXTRAVAGANCE

Shelf interest guaranteed

The Tana shelf by Melbourne-based furniture designer George Harper is a great way to display your favourite pieces.

***How much:** $2575*

***Where to buy:** tidedesign.com.au*

STAFF PICK

THESTYLUS COMPANY.COM

Gecko Stylus Replacement Tips - 3-pack from $9.95

Since I gave my elderly mother her first iPad, it has become one with her, and she wears out a stylus every three months. I sourced a stylus that has replacement tips to save the cost of so many new styluses.

Heather Armstrong

SMART TECH

Tablets go down well

Convenient & affordable

The almost instantaneous success of the first iPad led to predictions that tablets would be the future of computing, and the end of the road for conventional desktop and notebook PCs. And it's true that sales for traditional computers haven't been strong for a few years, as users, especially young people, gravitate to smartphones and tablets for both work and play. However, tablet sales have also started to drop off. Why?

The theory is that most users are happy with older tablets, if they still work, and they don't feel compelled to rush out and upgrade. (That isn't true for smartphones and many upgrade every two years or so, prompted in no small part by their phone contracts.) But while we may not need the latest models, it's hard to argue with how compelling tablets are on the whole. They feel great in your hands, enable convenient and portable pursuits – web browsing, email, social media, videos, games, books – and are more affordable than ever. PETER DOCKRILL

What is it? PendoPad 7-inch tablet
How much? From $99
Pros: Kids are drawn to tablets, but watch how much they use them! And you can't trust them not to drop these slim, easily breakable tech pieces, so budget ones (or hand-me-downs) are best for kids. This Pendo tablet may not win awards but it's a fully capable unit for simple games and education apps. Often heavily discounted in supermarkets and retail chains.
Cons: Don't expect premium performance at this price.
pendo.com.au

What is it? Samsung Galaxy Tab A 8-inch 16GB wi-fi
How much? From $299
Pros: Between budget models like the Pendo and the heights of the iPad stratosphere, is a buyer's market of name-brand, quality tablets, especially in mini sizes (usually 7- or 8-inch displays). Samsung's 8-inch wi-fi model is a strong package for the price. Also available in a 9.7-inches, with optional extra 4G connectivity.
Cons: Compare sizes in store to see what suits you best.
samsung.com.au

What is it? iPad Air 2
How much? From $619
Pros: Apple didn't invent tablets but it was the first to take them mainstream. The iPad Air 2 is the sleekest, fastest and most powerful model yet. The A8X chip and 2GB RAM give it plenty of power and some 375,000 tablet-optimised iOS apps spoil you for choice.
Cons: The most important caveat is Apple's 2015 versions are just around the corner, including the much-rumoured larger 12-inch model (most probably).
apple.com/au

GIVE IT UP

Soldier On

What is it: Soldier On is an independent charity that offers support to physically and psychologically wounded Australians who have been involved in contemporary conflicts after 1990. This includes Defence, Department of Foreign Affairs & Trade, Australian Federal Police and Customs personnel.
Where your money goes: Soldier On relies on your generous donations to help make a financial, physical and emotional link with those who have been wounded. The areas in which they work to help include enhancing rehabilitation, adventurous events, community events and employment and education.
How to donate: Simon Jones, who is a veteran himself, is raising money to support the wounded. He will ski, swim, board, swim and run a total of more than 32km. Using this as part of his own recovery, he has almost smashed his goal of raising $15,000 before his event in October.
Go to soldieron.giveeasy.org/ and click on the Simon Jones link. EMI BERRY

WEB FIND

What is it? MassDrop.com

Bargain hunters, gather round. There's only one way to guarantee a maximum saving when you're shopping: buying wholesale, just like the department stores. But who really needs 50 pairs of sunglasses? MassDrop is a unique online shopping platform that allows users with a common need to come together and purchase a wholesale shipment.

The website, which sells mainly tech goods and fashion accessories, gives users the chance to register their interest for a specific product and when the target numbers are met by the website, a shipment is booked and sold at a wholesale price. MassDrop wipes out the role of the retailer and allows you to buy goods straight from the manufacturer. All prices are in US dollars and will be shipped from international manufacturers, so you will need to factor in various additional costs.

What's available for purchase is completely up to the group – ideas can be discussed among users in an online forum and polls can be created to determine what goods interest the majority.

If you've ever considered buying a cheap imitation knock-off (which is highly illegal), do yourself a favour and check out your wholesale options – not only are they cheaper, you'll also feel much better about it. STEPH NASH

GETTY IMAGES

PAUL'S VERDICT

Should I borrow more to invest?

I'm a big fan of *Money*. I am 26 and earn $83,000pa; my wife is 25 and earns $55,000. We own a home – an investment property – and live with our parents.

The investment property which will be our future home, has a loan of $575,000 with a variable rate of 4.9% but is worth $750,000. We have a car loan of $55,000 with a fixed rate of 6.9% for five years and no other debts. We also have $55,000 in our offset account and can save anywhere between $1500 and $2000 a month.

I pay for everything on my credit card and pay the balance off when it's due, so I keep as much money as possible in the offset account. My question is, should I keep paying off the existing car loan or consolidate the car loan with the home loan so it also has a variable interest rate of about 4.9%?

Also, with that $55,000 in our offset account, is it better kept in there or to invest a portion in a managed fund; or use those funds along with the equity in our house to purchase a new investment property?

My wife and I do intend on moving into our home in July next year and need about $25,000 for renovations. During this time, we plan on having our first child. **Danny**

PAUL'S VERDICT: HAVING CLEAR GOALS IS A BIG PART OF THE BATTLE

Now also aim for the lowest possible debt on your home

Hi Danny, I am most impressed. Financially things are going well for you and what is really great is that you can articulate your short- and medium-term goals very clearly. People with goals have a much better chance of success with, not only their money, but also in their lives overall.

So, a good start. Living at home and using rent and negative gearing on your property is a terrific plan, providing of course the obvious stresses of living with parents and in-laws is manageable for all concerned.

A lower cost of debt is always better. Providing there is not a penalty greater than your savings on interest, I am happy for you to roll the car loan into your home loan at 4.9%. While you're at it, have a chat about your rate – 4.9% is OK, but not brilliant. Your lender may not want to play while it is an investment property, but once you move in, the best mortgages (for owner-occupiers) are much closer to 4% than 5% and I think you can do better. Remember a 0.5% saving on your interest rate lowers your repayments by about $2900 a year. Better you make that money, not your lender.

Where I am not happy is the idea to gear up further and buy an investment property. Sure, you have good equity in your property and $55,000 in your offset account, but your total debt is, including the car loan, $575,000. You are good savers and can put about $2000 a month aside. In my view, a new investment property and a baby will be a poor match.

Realistically, your wife may not get back to work for some time and it is much smarter to assume her income when she returns will be, at best, part time. This means your savings capacity may disappear, in particular when the costs of a baby are added. If you were to wait, say five years, then I think the property could work. But deferring a family for an investment property is a poor call. At the end of the day, it is health, family and friends that count. Most of us will die too rich, so don't defer family for more money down the track.

So my advice is pretty simple. If a baby is firmly in your plans, as it seems to be, I would suggest you concentrate on pouring your savings into your offset account.

Even if the car loan is switched to your home loan rate, do plan to pay it off in no more than five years. I appreciate you are paying the money to yourself via your mortgage repayments, but a car is not going to last the 25 years or so that your mortgage may run.

Importantly, whether or not you roll the car loan into your home loan, have that chat about a lower rate. Also, if you do, put your (current) car repayments into your offset account. You want your mortgage as high as possible and to direct any surplus to your offset account. If you move one day and want to keep the property as an investment, you want the highest possible mortgage on that one and to take a big offset balance for a deposit on a new home, to get a low mortgage. The interest on a loan on a property you live in is not tax deductible and is on an investment property loan.

The rule here is very clear. Have the lowest possible debt on your home and the most on investment property loans.

ASK YOUR QUESTION

If you have a question, email money@bauer-media.com.au or write to GPO Box 4088, Sydney NSW 2001. Questions need to be 150 words or less and you must be willing to be photographed. Readers who appear on this page will receive a six-month subscription.

NICK CUBBIN

HOUSE V APARTMENT 32

133 best streets in the hottest suburbs

STORY TERRY RYDER

The national property boom trumpeted in the media is a myth. Rather, the various markets in the nation have reacted to changes in spending on infrastructure.

THE PAST 12 MONTHS in real estate have taught us that property investors need to be selective about what they believe and very selective about where they buy. Mainstream media would have us believe there's a national property boom, an affordability crisis, a housing shortage and a bubble. But research analysis belies all those notions.

The most easily exploded myth is the one about a national property boom. Belief in this has caused groups such as the Australian Prudential Regulation Authority (APRA) to make clumsy pronouncements.

Sydney has been having an overdue price boom. Before the recent upsurge, Sydney ranked sixth among the eight capital cities on long-term capital growth. The price growth of the past year has elevated it to fourth, behind Perth, Melbourne and Darwin.

Some regional centres in NSW, especially those within Sydney's sphere of influence, have joined the party. Wollongong, Gosford, Newcastle and the Blue Mountains have all done well. For example, many City of Gosford local government area suburbs had median price growth of more than 15% last year.

Activity and prices in some sections of the Melbourne market have risen but, overall, average median price growth across the city has been moderate over the past three years.

Prices in the other six capital cities have been rather stagnant. Perth and Darwin have gone backwards a little; in Brisbane, Canberra, Adelaide and Hobart, prices have grown only marginally.

Some Queensland regional cities, notably Cairns, Toowoomba and the Sunshine Coast, are on price growth trajectories, but prices in most of its regional markets (especially those most affected by the resources sector) have been in rapid reverse.

Prices in most regional markets have been standing still or have had only minor growth. Those with a major resources impact have gone backwards, including Gladstone, Mackay, Emerald, the Bowen Basin towns and the Surat Basin towns in Queensland; Port Hedland, Newman and Karratha in Western Australia;

OFF THE PLAN 33 BUYING INTERSTATE 34 OLD V NEW 36

Kings Beach at Caloundra, Queensland.

hotspots

- Cranbourne, VIC
- North Albury, NSW
- Morayfield, QLD
- Liverpool. NSW
- Epping, VIC
- Wollongong, NSW
- Caloundra, QLD
- Logan Central, QLD
- Newtown, VIC
- Mandurah, WA

and the Hunter region in NSW (there are signs of recovery in some Hunter towns).

Economists' contention that Sydney's boom is caused by low interest rates is both simplistic and plain wrong. Record low interest rates over the past three years have failed to stimulate booms in six of our eight capital cities. And historical statistics show little correlation between low interest rates and booming property markets – nor is there research evidence that an interest rate increase kills off a property boom.

After 10 years of underachievement, Sydney was overdue for a bull run. The catalyst was a new state government in 2011, which turned around the state's economic fortunes and reintroduced the stimulus of infrastructure spending. Four years ago, NSW ranked towards the bottom economically but, in recent CommSec *State of the States* reports, the NSW economy has been rated the strongest in the nation.

Four years ago, little was being spent on infrastructure by a 16-year-incumbent Labor government mired in controversy, corruption and in-fighting. Today, tens of billions of dollars are being poured into road, rail and hospital projects.

Infrastructure spending is the No.1 catalyst for real estate markets. When Western Australia and the Northern Territory were spending big on infrastructure related to the iron ore and gas industries, their property markets were surging; in 2011 and 2012 Perth and Darwin led the capital cities on price growth. The fall in investment in mining-related infrastructure has brought those markets to a standstill – and mining-town markets have gone into rapid decline.

The next 12 months will see the pecking order of capital cities change, in terms of growth markets. There are signs that Melbourne prices are rising and will challenge Sydney's on growth, while sales volumes suggest Sydney has passed its peak.

Canberra appears to have recovered from the crisis in confidence caused by federal government job cutbacks and is beginning to record solid price growth.

Brisbane has recorded increased sales over the past two years but only a few areas, such as Brisbane Northside, have had strong price growth. The momentum is switching to the more affordable areas, such as Logan City in the south and the Moreton Bay region in the far north.

Adelaide and Hobart have improved sales activity but price growth is likely to be moderate, while Perth and Darwin will continue to slip backwards. Regional centres, especially in NSW and Queensland, are likely to have growth markets for local reasons, including Cairns, Townsville, the Sunshine Coast, Newcastle, Port Macquarie, Tamworth, Dubbo, Goulburn and Albury-Wodonga.

The APRA crackdown has prompted banks to tighten lending criteria and lift interest rates for investors, which may remove some of the frenzy from parts of the Sydney and Melbourne markets. But owner-occupiers remain the dominant force in most markets, the impact nationally is likely to be muted.

GETTY IMAGES

Many investors understand they need to regard all of Australia as their target market, but struggle with the task of acquiring local knowledge of distant locations.

Investors based in Sydney may regard their local markets as too hot and want to look elsewhere. Those in Perth and Darwin may understandably shun their local markets, which are in decline, and focus on Queensland or regional NSW. This takes investors out of their comfort zones and into unknown territory, posing the problem of how to find good properties in growth markets a long way from their own backyards.

The good news is that there are sophisticated tools that allow investors to acquire local knowledge of distant locations. In fact, investors can pinpoint, within metres, the best places to buy anywhere in Australia.

We call these precise locations the "sweet spots". They're the places perfectly located in terms of:

- Close proximity to desirable infrastructure;
- A strong presence of the area's dominant dwelling type;
- Strong tenancy demand;
- The ability to achieve strong rental yields; and
- The absence of less desirable factors, such as social housing.

The services and amenities a property owner could want to have nearby are many, including medical services, cafés and restaurants, sports facilities and government offices. But, the founder of the research, analysis and appraisal service Ripehouse, Jacob Field, says the "big three" are schools, shops and public transport. An ideally located property will be the right distance from those three amenities.

"Those are far and away the big three," Field says. "According to our research, if you can combine all three in one location, which is hard to achieve without help, there's a 20% positive impact on value, as an average, in our major cities.

"I've researched other amenities, such as restaurants, hospitals, parks and doctors-chemists. Across my sample of metro suburbs, there was no consistent correlation between proximity and price for those amenities. All indications are: it's really only a big three of amenities in terms of the impact on dwelling prices."

You can be too close. You don't want to be next door to a train station or across the street from a school or major shopping centre.

"The ideal proximity for the nearest transport hub is between 800 metres and 1200 metres," Field says. "One kilometre from public transport is a real sweet spot. You don't want to be right on the doorstep of a train station. Anything in between zero and 1000 metres, there's a drop-off in the impact on values. And beyond 1200 metres there's also a decline in the perceived values.

"With schools, once again you don't want to be right on the doorstep. The optimum distance to the nearest school is between 200 metres and 700 metres. Being 250 metres from a school is the absolute sweet spot. And with shops, within 1200 metres is a real sweet spot and, after that, if you are further than 1200 metres the benefit drops off, in terms of property values."

Field says properties in sweet spots relative to the big three can, on average, have a 20% price premium. The Ripehouse tools allow investors to quickly determine how close an individual property is from the big three.

Field created ripehouse.com.au to help investors become "local-area property experts" – i.e. to easily develop in-depth knowledge of markets, including places they have never visited. "Ripehouse allows investors to analyse locations and their markets quickly and efficiently so they understand those markets as a local would," he says. "That allows investors to increase their catchment area to the whole of Australia. And that means they can access the best, high-upside suburbs in the nation."

Field, who has been a DIY property investor since he was 19, says the resource empowers people to be successful investors by giving them a local's mindset. "They can understand what makes those locations tick: what are the growth drivers, why people are living there, what negative impacts there are, such as crime problems or public housing.

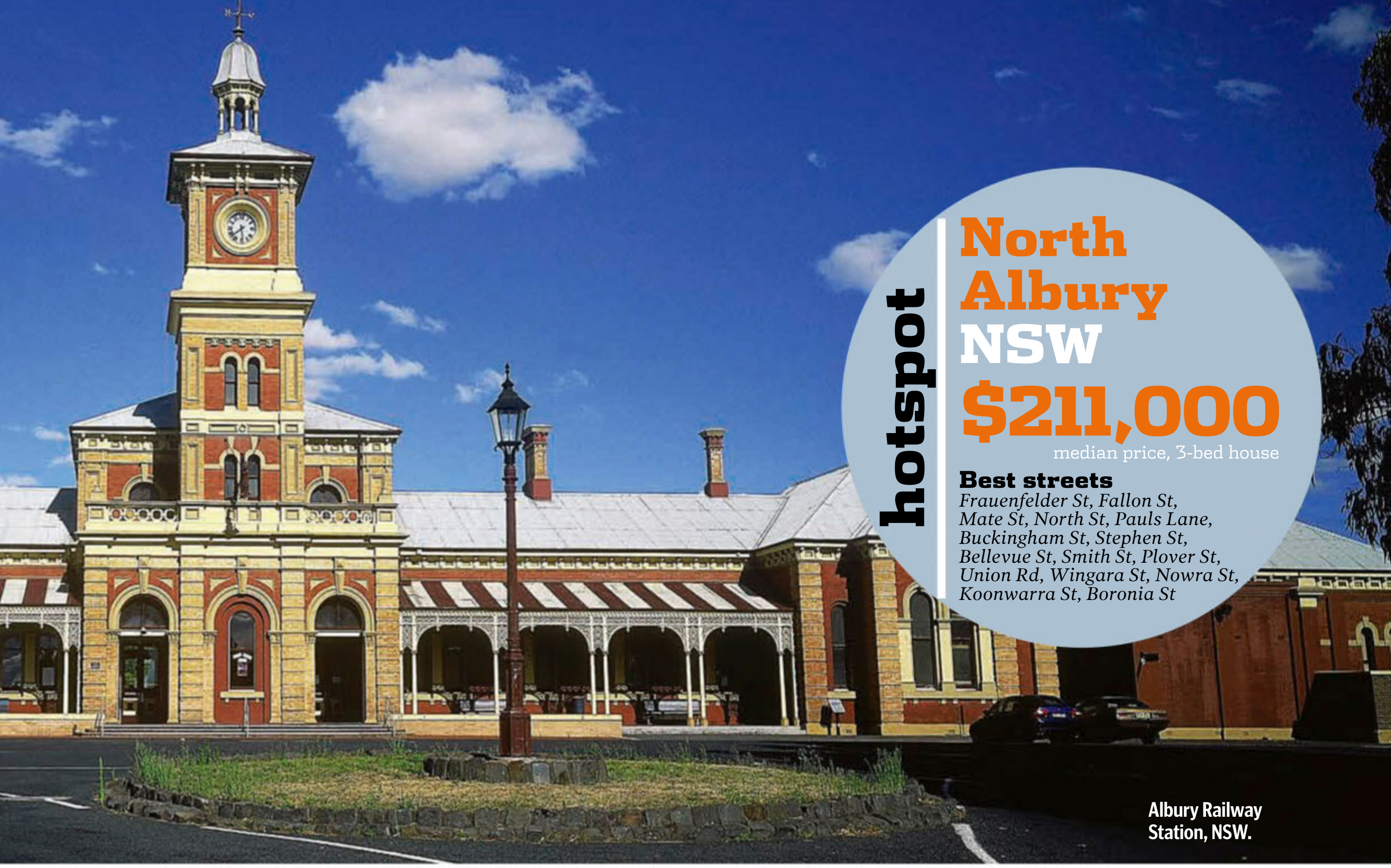
"In a typical situation, you can expect to pay 25%

hotspot

Cranbourne VIC

$339,000
median price, 3-bed house

Best streets
Camms Rd, Duff St, Bourke Rd, Ruffy Dr, Tongola Ct, Mayune Ct, Hovell Ct, Ardmore St, Belmar St, Ainsleigh Ct, Leanne Ct, Latrobe St, Loch St, Bowen St, Canterbury St



Albury Railway Station, NSW.

more than average to be in a street with zero public housing. Or you can expect homes to be worth 20% less than average in the major cities if there is a concentration of public housing in the street."

Field says many locations have sweet spots – which might be just two or three good streets – that drive the whole suburb ahead.

Using the combined resources of hotspotting.com.au and ripehouse.com.au, we have created a National Top 10 sweet spots list seen here.

Hotspotting chose the broad locations, using its usual criteria including:

- Affordability;
- Good transport links;
- Proximity to jobs nodes;
- Spending on new infrastructure; and
- Education and medical facilities

Within 10 locations with strong prospects for future growth, ripehouse.com.au found the sweet spots – the absolute best locations in relation to the pinpointed big three and other relevant factors, including strong rents and the absence of social housing. *Money* readers can get even more details (including more streets) for free by taking advantage of this month's reader offer (see page 90).

A compelling hotspot is Queensland's Sunshine Coast, where major spending on new infrastructure – especially medical infrastructure, including a $1 billion hospital – is creating economic sectors and jobs in a location that was largely reliant on tourism.

The southern portion of the coastal strip stands out as a place for investors to focus, because there are many affordable suburbs with good proximity to the Sunshine Coast University and the new medical facilities.

Caloundra is such a coastal suburb, whose old reputation as a downmarket area is changing, yet it still offers good affordability. The median price for two-bedroom apartments, the dominant dwelling type, is $396,000. The area's vacancy rate is low, about 1.3%, and rents are strong, a median of $410 a week, which suggests good rental returns for investors.

Within Caloundra, Ripehouse has pinpointed the area bounded by Arthur Street, Canberra Terrace, Minchinton Street and Bulcock Street (the high street) as the sweet-spot area.

Standout features of the sweet spot are low levels of public housing, high concentrations of the most in-demand property type (two-bedroom apartments), strong tenancy demand (about 50% of households rent in this precinct) and above-average rental yields. It is within walking distance of major shopping, several schools, beaches and an array of services.

In Sydney, the City of Liverpool has had strong price growth, along with other parts of the metropolitan market, in the past three years. Hotspotting continues to rate Liverpool – both the suburb and the broader municipality – because it sits at the heart of an area targeted by the government for massive spending on transport infrastructure – including new road networks (the M12 motorway), upgraded rail links and the new airport at Badgerys Creek.

Liverpool serves as a regional centre for the south-western Sydney suburbs, with strong amenities and services – and plenty of affordable real estate. Field says there is a high correlation between tenancy demand and a specific property type in this area – two-bedroom units or townhouses.

"In Liverpool, there is a very high correlation between tenants and units or townhouses, and owner-occupiers and houses," he says. "It is critical to invest in the property type that is most in demand by the residents who pay the rent – which, in this case, is two-bedroom units. It is also imperative to buy property in the exact streets where they prefer to live."

Ripehouse has zeroed in on an area fringing the Liverpool CBD – near the train station, Liverpool Interstate Bus Interchange, Westfield shopping centre, Liverpool Hospital, major secondary schools and the local TAFE campus.

"This sweet spot, comprising around 800 dwellings, provides an area where tenant demand is very strong, rents and yields are higher than average, with proximity to key amenities and low public housing content," Field says.

Terry Ryder created hotspotting.com.au in 2006 to help investors find the best places to buy. He has written on residential property for more than 30 years.

GETTY IMAGES

House or apartment: which to buy?

STORY TIM LAWLESS

Are you after rental income or capital gains? It all depends on your goals.

The question comes up all the time: are houses better investments than apartments? There isn't a simple answer, as each investor will have their own criteria.

One way to look at the performance of the different housing types is to compare capital gains over time. Across Empire's combined capital city index, houses have recorded price growth of 7.8%pa over the past 15 years while units have recorded 6%pa capital gain (see chart).

Houses have shown a higher rate of capital gain than apartments consistently over the past 10 and five years and over the past 12 months. In fact, since the index started in 1996, there have only been a few short periods where unit value growth outperformed that of houses.

The higher capital gains for houses can probably be attributed to the underlying land value. Land prices have risen substantially over the past decade, particularly in those cities where the release of vacant land has been slow, such as in Sydney.

Another way to measure performance is to examine the yield profile of the two housing types. Since 2001, houses have shown lower gross rental yields than units. At the end of July this year, a capital city house was returning a gross yield of 3.4% on average, compared with the unit market, where the average gross yield was 4.3%.

Most capital cities show the same trend. However in Adelaide and Hobart, whose apartment markets are relatively immature, the 10-year growth rate for unit prices is slightly higher than that for houses.

The net yield may show a closer relationship, considering units are likely to show higher expense profiles because of the cost of body corporate fees.

As the population grows and detached housing becomes less affordable for many prospective buyers looking to purchase within an easy commute of the city, it's reasonable to assume apartments will become more popular investment choices.

Add to that the trend of baby boomers planning to downsize and younger age groups preferring units over houses because of the low maintenance requirements, and it becomes clear that demand for apartments is likely to escalate over the coming years.

For many investors, it comes back to personal preferences. The most important things, regardless of the property type, is that the dwelling is strategically located, that new supply within the nearby area will be relatively constrained and rental demand is strong and likely to remain so.

Tim Lawless is CoreLogic RP Data's head of research, specialising in real estate markets and demographic trends within Australia.

hotspot

Morayfield QLD

$336,000

median price, 4-bed house

Best streets

Buchanan Rd, Coach Rd (w), Laver St, Graham Rd, Glenwood Dr, Meadowview Dr, Emerson Dr, Lomandra Dr, Dundee Dr, Parkview St, Murraya Dr, Macaranga Cr, Redcedar Pl, Bilby Dr, Firetail Ct, Woodrose Rd, Beech Dr, Sassafras St, Redwood St, Bristlebird Dr

hotspot

Liverpool NSW

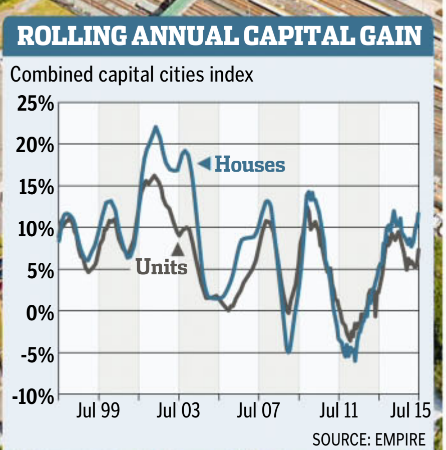
$405,000

median price, 2-bed apartment

Best streets

Bathurst St, Campbell St, Macquarie St, Elizabeth Dr, Castlereagh St, Memorial Ave

MORETON BAY REGIONAL COUNCIL



An off-the-plan choice is a high-risk strategy

STORY PATRICK BRIGHT

Many factors can push up the price and leave you owing more than the property is worth

Buying off the plan to make a profit should be regarded as a speculative investment. What you're hoping for, if you buy a property off a developer's blueprint, is that the property will be worth more a year or two down the track when the building has been completed. Unfortunately this process is not as simple as it sounds as there are many risks with such investments that are not well known.

One of the big risks is whether or not the market rises during the building period, which is dependent on many economic factors. If it falls instead, then be prepared to fork out more cash to your lender, as you may have negative equity in the property, particularly if you overpaid when you purchased.

Another area to watch is the contract. Off-the-plan contracts heavily favour the developer and include shrinkage clauses, sunset clauses, like-with-like furnishing clauses and others that can detrimentally affect your investment.

For example a shrinkage clause allows the property to be reduced in size by up to a specified percentage which is often between 3% and 5%, which may turn a double bedroom into a single or reduce the size and functionality of a balcony, thereby reducing the value of the property.

If the market price has increased significantly, the builder may enforce the sunset clause. Here the completion of the building is deliberately delayed until after the date of the sunset clause. That will allow the developer to return your deposit and sell at a higher price when finished.

Building defects are also tricky for new buildings. Developers tend to fight fixing anything and look to blame the builder – the developer and builder are usually separate companies. They are in a pricing conflict of interest and, unfortunately, once the contracts are signed they switch their focus to building to a price, not a standard. The result is a bunch of defect issues down the track which, according to many strata managers, is very common in new buildings.

You also need to be aware that you are generally competing with foreign buyers who are not worried so much about the price they pay as, first and foremost, they are looking to get their money into Australia. This can inflate the price you pay and make it very unlikely you'll be able to sell at a profit when the development is complete. That could result in you being in negative equity.

Patrick Bright is an EPS Property Search buyer's agent and author of best-selling book series, The Insider's Guide to Buying Real Estate.

hotspot

Epping VIC

$383,000
median price, 3-bed house

Best streets
Dora Way, McDonalds Rd, Border Dr, Beccia Ave, Kalman Rd, Yvette Ct, Meadow Glen Dr, Halter Cr, Guinea Ct

Wollongong Head Lighthouse, NSW, overlooks the boat harbour.

hotspot

Wollongong NSW

$464,000

median price, 2-bed apartment

Best streets

Princes Hwy into Keira St, West St, Auburn St, Atchison St, Kenny St, Ellen St, Gipps St, Edward St, Church St, Kembla St, View St, Ocean St

STORY MARGARET LOMAS

Once you've built a portfolio, extra investments should provide a buffer to the ups and downs

When an investor starts on the road to building a property portfolio, the default position is usually to choose a property close to their home. There is a misplaced belief that they 'know' their area better than they would another and comfort in knowing that the property is close by and they can keep an eye on it.

While most owner-occupiers may know their area, what they know usually has little to do with ensuring that an investment is sound. Important issues such as local vacancy rates, population and other demographic information, and infrastructure planning are all important in the decision about where to buy. Few people know this kind of detailed information about their local area.

So – whether it be because you want to ensure you have a diversified portfolio of properties bought in areas that have the best chance of growth, or because your own locality has become too pricey – the time should come when you think about buying interstate. Doing so will most probably deliver a well-performing investment but, for most investors, the task seems both daunting and dangerous. It doesn't need to be so and here are some tips to help you along.

hotspot

Caloundra QLD

$396,000

median price, 2-bed apartment

Best streets

Arthur St, Canberra Tce, Bulcock St, Minchinton St, Bombala Tce, Wyreema Tce, Orsova Tce, Bingera Tce, Oronsay Ave, Dingle Ave

hotspot

Logan QLD

$262,000

median price, 3-bed house

Best streets

Brownhill St, Karri Ave, Brown St, Jarrah Cres, Wattle St, Brighton St, Ashton St, Jacaranda Ave, Blackton St, Brownvale St, She-oak St, Primrose St, Roseash St, Camelia Ave, Daffodil Street

Look interstate to buy new assets

1. Conveyancing laws

From the complex NSW process of contract exchange, 10% deposit and 49 days until settlement, through to the relatively simple West Australian method of offer and acceptance and as little as two weeks until settlement, there is a vast array of different legal systems in place for the conveying of property titles and you need to be familiar with how it is done in the state where you choose to buy.

Disclosure laws are state-based too,and not all states have a requirement for the vendor to disclose facts that could materially affect your purchase. Victoria has one of the most rigorous disclosure processes and buyers in the ACT now receive a pest and building report as part of disclosure.

While NSW requires a 'Schedule 1' and South Australia a 'Form 1' with some disclosure (not including building works), the remaining states do not have disclosure requirements and so it's definitely a case of let the buyer beware.

The final difference among states concerns the cooling-off periods. Most states have such periods that are between two and five days. WA and Tasmania are the exceptions and neither demands any cooling-off requirement at all – once that contract is signed, you're committed. To avoid finding yourself in a contract from which you cannot extricate yourself, do your research and find out how the regulations differ from location to location.

2. Taxation differences

In addition to the conveyancing regulations, taxes can also vary from state to state. Stamp duty on a purchase can vary by thousands of dollars . Victoria has the highest – on a $300,000 purchase there is a differential of almost $5000 from, say, NSW.

In Queensland, stamp duty for investors is high, but for owner-occupiers it has the cheapest stamp duties. From time to time, and depending upon the policy of the day, first-home owners may get discounts on purchase stamp duties, up to a threshold.

Land tax presents the other major state-based difference. It's possible to own a number of properties and not incur any land tax, as long as the properties are in different states. All states do have land tax at varying rates on property other than your principal place of residence, but there is a tax-free component – up to a certain land value. This also varies from state to state and, if you plan your purchases wisely, you can have a substantial portfolio and pay no land tax.

Bear in mind that land tax is, in most states, based on the unimproved value of the land, and so units will attract much less tax, or use up much less of the tax-free component.

3. Research the area

Just because you don't go there – and you should not jump on a plane to sight every area in which you have an interest – does not mean you cannot become fully informed about an area before you decide to buy.

If you follow my book, *20 Must Ask Questions*, you will be sure to carry out the right kind of research and end up with a complete picture of the area and everything it has to offer in future growth potential.

One of the best aspects of not visiting is that you'll protect yourself from falling in love with an area that actually has very little going for it from an investment point of view.

4. Choose the right property

Once you've narrowed down the area, you want to be sure you don't choose a lemon. Internet photos can make any trash look like treasure and so you need people on the ground to be sure you get a good buy – not a money pit.

Always get pest and building inspections but, before spending your money and not buying, contact a local property manager who has no current interest in the property and ask them to check it out, with a view to them getting the management contract if you buy. They should be able to give you a solid habitability report and if they do this for you, they're probably also a good property manager.

Don't forget about the state differences in grants too – some states offer, from time to time, construction bonuses for first-time buyers and often for investors too, and the federal government's first-home owner grant is still in place. If you become an investor before you own your first home then, as long as you don't live in a property you do own, this grant will remain available to you.

Not only is buying interstate easy, it's imperative if you are going to have a diversified portfolio with strongly performing properties. Areas definitely grow in cycles, and different cycles all over Australia, and you want properties spread across markets so that something in your portfolio is always on its upswing!

Margaret Lomas is Destiny Financial Solutions founder and director and author of nine best-selling books on property.

hotspot

Newtown VIC

$554,000

median price, 3-bed house

Best streets

George St, Cumberland St, Talbot St, Noble St, Claremont Ave, Pakington St, West Fyans St, Marshall St, Sharp St, Russell St, Bond St, Clarendon St, Saffron St, Westcott St, Urana St, Julian St

GETTY IMAGES

Old or new, it's up to you

STORY BEN KINGSLEY

Each housing type has its financial pros and cons and will attract its particular group of tenants

Mandurah Jetty on Mandjar Bay.

Whether you are drawn to heritage charm or slick modern edges, there are no right or wrong options when it comes to property. But before you get too emotionally attached, it's important to consider the pros and cons of old and new. Exactly which type of property will be the better fit for you will depend on your own individual circumstances. Here's what you need to consider:

New property

A big drawcard for new properties is that they usually require less maintenance compared with older properties. This can be a big factor for investors who want a set-and-forget investment. Similarly, new properties can be more appealing to tenants, if they are willing to pay the premium.

Depending on which state you are buying in, you might also save on stamp duty costs if you buy new. Both new and old properties can attract depreciation deductions, but new properties will generally get greater deductions as the starting value of the property's fixtures and fittings are usually assessed as higher.

To buy a new property, you will typically pay a premium in price, and usually a fixed price, compared with older comparative properties close by. As the developer or builder will be looking to maximise profit, there is a risk of paying more than a property is actually worth.

Another risk with new property can be oversupply. This is because when new stock is built, often there is a lot of stock coming online at the same time in the same location. This can impact negatively on capital growth performance. New properties also lack the ability to value-add through renovation and cosmetic improvements.

Old property

Buying an existing property, especially from an investment point of view, is buying a property asset that has been tested in the market. Older properties have a proven resale history – and thus a history of its capital growth performance – which can offer buyers greater confidence in the actual value of a property.

Of course, old properties are typically more affordable than comparative new properties. So older properties usually grow in price better than new properties, in the short term at least.

For example, say the price of a new two-bedroom unit is $680,000, and an older two-bedroom unit in the same suburb is just $520,000. Over the next 10 to 20 years the older unit will grow in value more quickly, catching up to the once-new property, which over this period becomes old too. Therefore the older unit gets a drag-up improvement in value, and can give a superior investment return.

Another advantage of older properties is that they allow for cosmetic renovations, which can improve the value. Any improvement can also be depreciated.

You can also negotiate on price to get a great deal when purchasing old properties.

Compared with new properties, older properties have more potential for higher maintenance costs due to wear and tear. The depreciation benefits are also lower on older properties and older properties may not appeal to as broad a tenancy pool either.

Potential for oversupply

An important consideration that goes alongside any old versus new comparison is the potential for new supply. If you buy a new property in an area where it is likely that more new properties will be built, there may be a risk of oversupply. A wave of new properties can dramatically affect your returns, from both the property's capital growth and rental yield.

Ben Kingsley, a qualified property investment adviser, is Property Investment Professionals of Australia (PIPA) chairman.

hotspot

Mandurah WA

$340,000

median price, 3-bed house

Best streets

Allnutt St, Park Rd, Wyeree Rd, Mandurah Rd, Pinjarra Rd, Dower St, Cooper St, Anstruther Rd, Service St, Ward St, France St, Eacott St, Blakeley St, Scott St, Gray Rd

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MY MONEY

GETTY IMAGES

COMPLIANCE

Uber drivers and the taxation equation

Technological disruption has had many different repercussions over the past few years. Our growing "share economy", for example, has caused widely contested debates. One of the loudest has been around Uber drivers and where they stand in the greater scheme of things.

This year's tax cycle has begged the question: do Uber drivers have to pay GST? Since there are specific tax laws for taxi drivers, the big problem lies with the definition of an Uber driver. Most sole traders don't have to pay GST until their taxable income exceeds $75,000 a year, but there is an exception for taxi drivers, who are required to register for GST regardless of their turnover.

So is an Uber driver a taxi driver? The Australian Taxation Office won't say. What it does say is that if you routinely make your vehicle available for hire (for a profit), you are considered to be ride-sourcing which, by the ATO's determination, is a taxi service.

An ATO spokesperson provided the following tax guidelines for Uber drivers:

- From August 1, drivers providing ride-sourcing must have an ABN and be registered for GST, which they can arrange online;
- GST must be calculated on the full fare, not the net amount received after deducting any fees or commissions;
- Income earned from ride-sourcing must be reported for income tax purposes and expenses will be deductible; and
- Passengers need not do anything unless the ride was business travel – then they may need a tax invoice for an $82.50-plus fare.

"It's worth noting that while our view is subject to a current legal challenge, it does not change the commissioner's view on our published personal guidance and therefore the ATO will continue to support and advise impacted drivers on how to demonstrate their compliance with the law and the ATO position," the spokesperson said. STEPH NASH

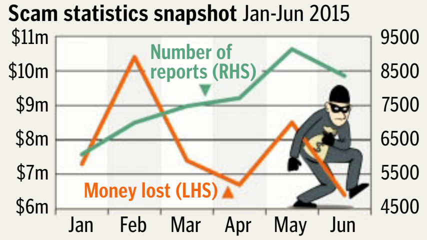
Scam rates through the roof

Scammers and fraudsters appear to be enjoying what you might call "peak trading conditions" in 2015. The Australian Competition and Consumer Commission's ScamWatch website has revealed that between January and June, $45 million was siphoned out of Australian bank accounts and into the pockets of scam artists. This is only 10.3% of reported incidents and equates to about $9000 a claim.

ScamWatch has tips to avoid falling victim to a scam this year:

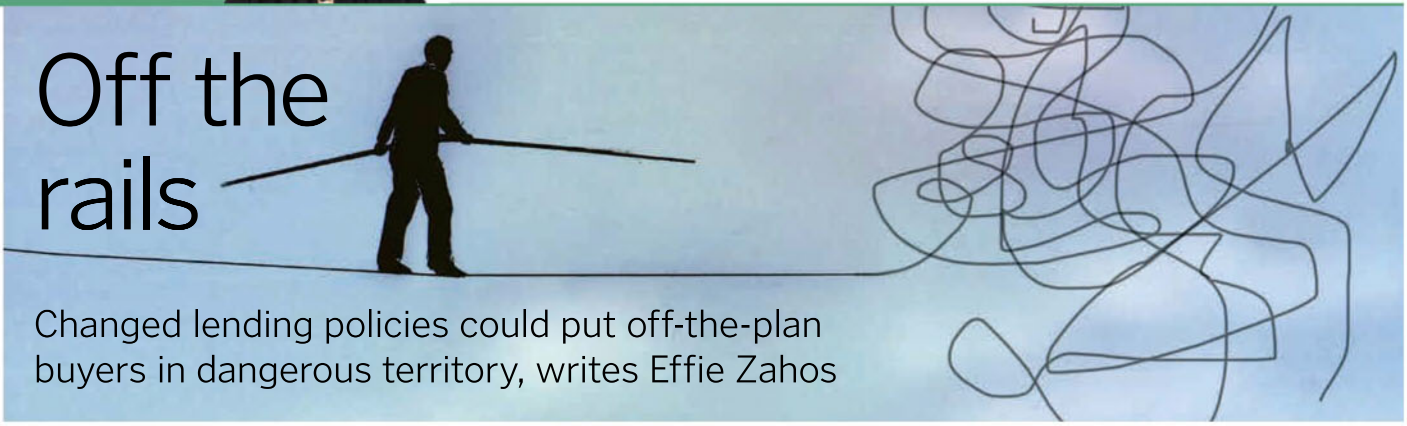
- Beware when shopping online – if it's too good to be true, it probably is;
- Always research thoroughly if you're unsure of the legitimacy of a person or company. Don't send money or give out your financial information to sources you don't fully trust;
- Never open suspicious attachments or emails – delete them straightaway;
- Take steps to prevent identity theft. This could include putting a lock on your letterbox, destroying old bills, and storing your pin numbers in a safe place;
- Always use a passcode to lock your digital devices. It's good practice to switch passwords every few months. Don't pick passwords that are too easy to guess; and
- Never agree to transfer money or goods for another person. It might turn out to be money laundering, which is a criminal offence. STEPH NASH

Scam statistics snapshot Jan-Jun 2015



SOURCE: WWW.SCAMWATCH.GOV.AU

INSIDE MY MONEY THIS MONTH



Off the rails

Changed lending policies could put off-the-plan buyers in dangerous territory, writes Effie Zahos

TWELVE MONTHS AGO JOHN signed up for a $600,000 off-the-plan purchase. A deposit of 10% was all he needed to secure it. At the time his bank was prepared to lend him up to 95% ($570,000). Fast-forward and today his bank, thanks to the Australian Prudential Regulation Authority's clampdown, is now only prepared to lend him up to 80% of the value.

John needs to find another $90,000 or another lender who's either willing to lend him more or value the property higher. If he can't do either, he may have to walk away and, potentially, lose his deposit. John could also be sued by the developer for any loss it incurs on resale.

There have always been risks associated with buying off the plan. Patrick Bright, a buyers' agent with EPS Property Search, has long said that it should be regarded as a speculative investment, as you're hoping the property will be worth more a year or two down the track (see page 33 for this and other warnings). Putting these risks aside, the issue for John – and I suspect many other investors who have recently purchased off the plan and expect to settle in 12-plus months – is not so much the value of the property but the fact that lenders have changed their policies.

It is important to note that, although dwelling approvals are around record highs and the cycle more than three years into a strong growth phase, CoreLogic says there could be a downturn in values.

In a bid to cool investment book activity, APRA's heavy-handedness with authorised deposit-taking institutions (ADIs) has caused alarm across the off-the-plan industry. A requirement to hold more capital, combined with a 10% effective speed limit on the annual growth of banks' pool of investor mortgage credit, has seen many lenders make significant, sweeping changes to policies and pricing. I outlined many changes in my July column but it's the change to loan-to-valuation ratios that is really hurting some investors.

When it comes to getting a loan for an off-the-plan purchase, it's important to understand that what you receive from your lender is a pre-approval, not an unconditional approval to buy.

As Michael Daniels, state manager for Smartline Personal Mortgage Advisers, says: "It's a guide to what the bank is willing to lend you based on all the relevant information as of the time the contract is signed. If there are changes for either the bank or the client, this can considerably change the scenario in terms of what the bank is prepared to lend."

Keep in mind, a pre-approval is only relevant for three months, while it can take one or two years for a large development to be completed. In general most off-the-plan purchases only require a 10% deposit. When the property development is nearly completed, the developer issues a 14-day notice to complete. That means the purchaser has to have all finances in order and be ready to settle within two weeks.

"This is normally when there is a rush of activity as the formal finance approval needs to be gained so settlement can take place," says Daniels. "This requires an entire new loan application process with the property being valued at that time." Daniels says the issue that investors now face is that many lenders have significantly reduced the maximum amount they are prepared to lend for the purchase of an investment property.

While many lenders have changed policies, Daniels says there are smaller or niche lenders who will still lend on only a 10% deposit.

Daniels also advises that if you have purchased a property initially as an investment and have since moved back into the property as your principal place of residence, then you should talk to your lender to ensure that you are getting charged owner-occupier rates, not investor rates.

Of course if you're an opportunist who is cashed up, sit tight, because the next 12 months could see some seriously cheap inner-city apartments go up for sale.

Money's editor has more than 19 years' experience in the finance industry

GETTY IMAGES

No boundaries in the cloud

Everyone has the options once limited to large companies, writes Anthony O'Brien

THE CLOUD IS SURELY ONE OF the most rapidly adopted tech buzzwords. But what does it really mean for small businesses?

The cloud is a way to network computing resources and to store and access data such as documents, images and spreadsheets. If data is stored in the cloud, staff can access the information they need to do their jobs from almost anywhere, at any time of day, on any device connected to the internet.

Some of the top SME choices for cloud-based solutions are:

Dropbox

This was one of the first cloud storage services designed to replace file servers and share files, says Touch Technology IT consultant Gary Reynolds. "Apart from no longer needing to maintain a server for employees to share files, Dropbox users can access files such as Word documents and Excel spreadsheets anywhere in the world and from any connected device," he says. For entry-level users, Dropbox Basic, which provides 2GB of free space, is worth a look. For more space and employee access, Dropbox for Business is the next level up. For $17 a user each month, it provides unlimited storage space, unrestricted file recovery and priority customer support.

Google Drive

Google Drive reported 240 million monthly active users in October 2014. When signing up, you immediately receive 15GB of storage and you can buy more. To increase it to 100GB, you'll pay the princely sum of $1.99 a month. There is also Google Apps for Work, which includes productivity and collaboration tools delivered in your web browser. "This is similar to Microsoft Office and offers increased storage of 30GB per user," Reynolds says.

Microsoft OneDrive

OneDrive for Business is part of Microsoft Office 365's cloud service and comes with excellent security and search features,

Snoop Creative IT consultant Michelle Morgan says. For just $13.20 a month Office 365 bundles in 1TB of OneDrive online storage. "The space offered by OneDrive is significant and perfect for creatives who work with big, bulky files," Morgan says. "It also keeps their work and designs safe and secure because with OneDrive your business retains ownership of its creative IP. This isn't always the case with other cloud-based storage services."

Reynolds says a major benefit of cloud storage is that you don't have to maintain equipment. "The provider looks after all this and it is much simpler as you just access the service from anywhere," he says.

Security

Probably the most important cloud issue is security – in data ownership, privacy and cross-border security. "Security protocols are very good these days and the risk of a breach at the service provider end is quite low," Reynolds says. However, the weakest link is your users, he warns. "Make sure you have a solid password policy and that you utilise two-factor authentication."

Morgan says SMEs must keep up with the latest innovations whether in cloud storage or telecommunications. "If they don't move onto the cloud, they'll find it hard to survive in three to five years' time."

Anthony O'Brien is a small business and personal finance writer with 20-plus years' experience in the communication industry.

SME GAME CHANGER

Cloud computing has proven to be one of the biggest game changers of our time. From data storage to hosted backup servers and remote offices, the cloud has paved the way for increased efficiencies. While it's no longer a new concept, our reliance on this technology has permeated all aspects of the way businesses are run.

The cloud is critical to the success of businesses small and large, delivering cost-effective access to computing resources or applications that were previously only the domain of large businesses. Whether it's to host data-heavy servers or connect to other sites, cloud computing allows a business to start small with minimal capital expenditure, and then grow and scale quickly according to business demand.

Cloud technology enables better collaboration and storage solutions that are typically hosted with the service provider, providing peace of mind and allowing SMEs to focus on their business rather than worrying about IT maintenance or additional costs.

Liz Fotiou,
marketing manager, iiNet Business

GETTY IMAGES

Stand up to the bullies

Help is available for women who suffer financial abuse, writes Susan Hely

GETTY IMAGES

WHEN SARAH AND her husband Mark decided she should stay at home when they had kids, she had no idea how manipulative Mark would be about money. Sarah had given up a good job as a lawyer and whenever she tried to talk to Mark about the family finances he verbally abused and threatened her, particularly when she asked about his spending or their savings.

Mark gave Sarah a small allowance that barely covered groceries and essential items for the children. He refused to include her in major financial decisions, saying she wouldn't understand. He scrutinised her spending and humiliated her choices in front of the children and other family members.

Mark's behaviour is known as financial abuse because it negatively affects Sarah's finances and undermines her efforts to be economically independent. Some 2 million women in Australia, across all income levels, are victims of financial abuse, says Christine Nixon, the chair of Good Shepherd Microfinance. Often they are also victims of family violence (80%). Nixon says financial abuse is particularly prevalent among new immigrants.

Financial abuse – sometimes referred to as sexually transmitted debt – includes being coerced into signing loan documents, having household debts put in your name or being made account holder for overheads such as utilities and credit cards although you can't access the household income.

But financial abuse also includes not being allowed to work and being denied access to the phone, car or credit card, etc. Even once a couple has split, abuse can continue – no child support or no help with debts incurred in the relationship.

"One of the top five reasons women stay with violent partners relates to finance. So, by tackling financial abuse, we're also addressing family violence more broadly," Nixon says.

What can women do about it? Nixon says that in the early stages of a relationship, women should be alert to any controlling behaviour. If your boyfriend hits you or asks prying questions about how much you earn and your assets, take it as an early warning sign.

She also says that, if you have a friend who doesn't realise they are being financially abused, or are embarrassed about it, raise the issue with them.

About 1500 counsellors are being trained to identify financial abuse and refer people to family violence support services. And they will offer access to no-interest loan schemes (NILS) co-ordinated by Good Shepherd Microfinance. These schemes started 31 years ago and are a better alternative to payday lenders, offering flexible terms and interest-free or low-interest loans.

There are three Good Shepherd Good Money stores in Victoria, set up close to payday lenders, and more are scheduled to be rolled out. In the past few years, National Australia Bank has put up capital for the loans, of which 97% are paid back.

Nixon says that to access a NILS or a Good Shepherd StepUP loan, you need to go through a community provider.

She says Good Shepherd offers access to loans and other financial programs to people on low incomes. It operates at 650 locations across Australia. "We enable people to define and then to realise their own economic wellbeing and to feel valued and in control of their finances and lives."

Nixon says she would like the lenders such as banks and hire purchase companies to be aware when women are being bullied into signing documents.

Susan Hely has been a senior investment writer at The Sydney Morning Herald. *She wrote the best-selling book* Women & Money.

WARNING SIGNS

What does financial abuse look like? Here are examples of domestic violence which are classified as financial abuse:

"My boyfriend gets angry if he doesn't have money to go out with his mates. So I pay all the rent and the bills."

"My boyfriend says I'm useless with money. He tells me exactly what to buy."

"My boyfriend maxed out my credit card without me knowing. I'll be paying it off till I'm grey."

"Only my name was on the lease. He trashed the place and dumped me. Now I'm the one paying."

"I went guarantor for my boyfriend's car loan. He crashed the car and then he dumped me. Now I owe thousands."

"My ex-boyfriend wanted a home theatre system but only my name was on the rental contract. Now he's got the goods and I'm still paying."

The high price of free viewing

Beware of Quickflix, Stan and Netflix 'free' trials, writes Anne Lampe

QUICKFLIX'S DVD POSTAL delivery and return service and Stan and Netflix's online streaming services offer free trial periods of one to three months, depending on whether the offer is promoted online or with media subscriptions.

What's the catch?

An offer means you have a period of free use of the particular service, but there is a catch – the aim is to capture subscribers.

I was given a Quickflix free trial by a friend. And for me, Quickflix's free trial offer amounted to a trap. The free period gives a taste of the service for a limited time, but also signs you up as a subscriber from the start and requires you to provide your name, address, email address and credit card details.

To avoid being billed beyond the free trial period, the terms and conditions say you must cancel your subscription before the trial period comes to an end. And it is up to you to be aware of that date. Leave cancellation until the last minute and you will run the risk of being classed as a fee-paying subscriber and being billed monthly, using the credit card details asked of you to participate in the free trial.

In Netflix's case I'm told it sends an email warning that your free period is about to finish. My experience with Quickflix was different. After activating the code on the free trial offer and providing the required details online, I chose five films. But after that I could not find anymore in the library that appealed. I clicked on "unsubscribe" and also sent an email to Quickflix saying I did not want the service anymore – an email Quickflix said it didn't receive.

Nevertheless, for the next five months I was billed $22.99 a month for a service I thought was cancelled, I didn't want, and didn't use. After several complaints, it was explained to me that the only way to cancel the subscription was to go to My Account on the Quickflix website and click cancel. As I had unsubscribed and no longer used the service or received emails, I didn't know I had an account – let alone an ID number or password – and had been sent no details of such. And it took a while to notice the monthly billing.

Moreover I had been tipped into the expensive package – not the $10 one – because someone at Quickflix decided that was "the appropriate package" for me. I would have liked to have been asked if I was happy with the free trial and if I would like to become a paying subscriber, instead of becoming one by default.

Stan and Netflix have similar systems, which require the provision of ID details and a credit card number when signing on. And you are regarded as a subscriber with some free viewing time. While you may receive an email pointing to the end of the free trial, the written terms and conditions require you to cancel before the free trial period ends or you will start to be billed.

How do I cancel?

This can be tricky and requires a careful reading of terms and conditions relating to cancellation. Check to see whether you can email or mail a cancellation, or whether you have to cancel only through accessing your online account. After several heated exchanges, Quickflix finally said it would not bill me again. However, I was told by my bank that, as the service has my credit card details, it was possible billing of me would continue and the only way to ensure there'd be no further billing would be to cancel my credit card.

The terms and conditions say there are no refunds.

What else is involved?

Stan and Netflix have the right, under their terms and conditions, to share the gathered private information – including what you watch, buy or participate in. And it can be used by the service provider for information sharing with just about anyone. In Stan's case, that includes a long list of related companies, contractors, external providers of websites and those otherwise connected to provision of its products and services, existing or potential agents (that could be anyone) business partners, partners or companies that might merge with Stan in future, sponsors, promoters, advertisers and other specified third parties. These may be located here or overseas.

It amounts to broad, free-and-easy use of your private information, in return for a free trial period.

If you have any products you're unsure of, email me at money@bauer-media.com.au

Anne Lampe has written for The Australian Financial Review *and* The Sydney Morning Herald, *winning a Walkley award in 1991.*

STREAMING FREE TRIALS

Pros

- Getting a free taste of services on offer before you commit

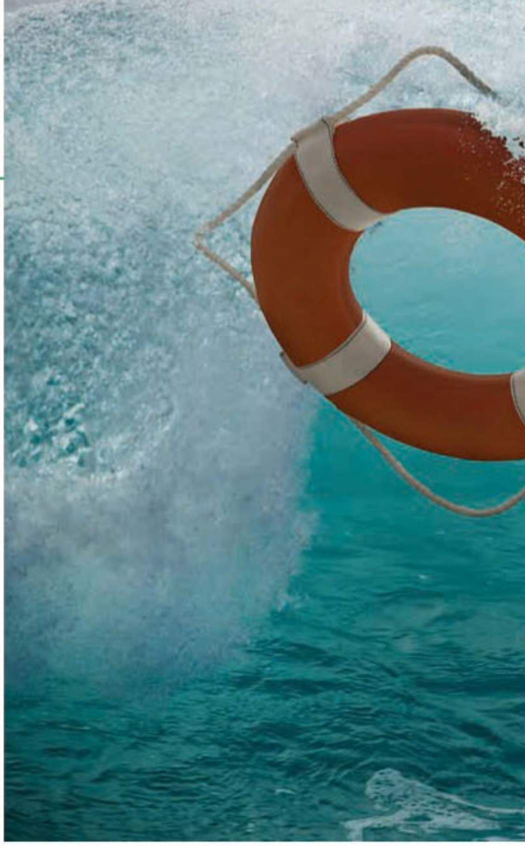
Cons

- Can be hard to cancel
- Your personal information can be shared

My call

- The marketing lure requires all your wits to avoid the attempt to trap you into a subscription. For me, there is too much private information required just to get the free trial. If you don't keep track of free period dates and cancel in time, you may be charged ongoing fees. My free trial ended up not being free. After I complained to Fair Trading, Quickflix offered to refund two-thirds of its billing.

TAKING CHARGE



Keep them afloat

Your life, income-protection and trauma insurance may need to be topped up as your circumstances change, writes Annette Sampson

I'VE BETTER THINGS TO SPEND MY MONEY ON THAN LIFE INSURANCE. HOW DO I TELL WHEN ENOUGH IS ENOUGH?
If you are to believe many financial planners, we all need more insurance – and lots of it. Cynics would argue their opinion is at least partly because insurance is one of the few financial products that will still earn them hefty commissions. But a recent Rice Warner report suggests the need for more insurance is not solely the figment of planners' aspirations.

This is the second time the consulting firm has looked at underinsurance in Australia and it found that, while insurance levels have improved since 2005, we are still underinsured by about $1.8 trillion. It calculates a typical middle-income family with two children would need to be insured for about 10 times their earnings to be adequately protected against death or disability. This puts their current insurance needs, based on average earnings, at $680,000. Typically, the default cover in their super funds is just $200,000. While some families take out additional cover, many simply assume that because they have life insurance through their fund, they don't need to worry about topping it up.

DON'T: Overlook the option of paying for a non-working spouse's life insurance through their superannuation fund, especially if you can claim a tax break through the super co-contribution or spouse super contribution rebate on money contributed to their fund.

HORSES FOR COURSES
Of course, we're not all part of a stereotypical family and our insurance needs will vary. When you're younger and have fewer commitments, insuring your life is often less important than insuring your possessions and motor vehicle.

But what about your most important asset? If you're 25 now and earning $50,000 a year, you have the potential to earn more than $3.8 million between now and 65, assuming your income rises by just 3%pa to cover inflation and pay rises each year. So while you may not need life insurance, you may want to think about income-protection insurance, which pays up to 75% of your income if you're unable to work due to sickness or disability. Income-protection insurance premiums are tax deductible, which helps reduce the costs.

And as you get older, your need for life insurance may decline. But you may want to consider trauma insurance, which pays a lump sum if you have a life-threatening medical condition or illness such as cancer,

THE CHALLENGE

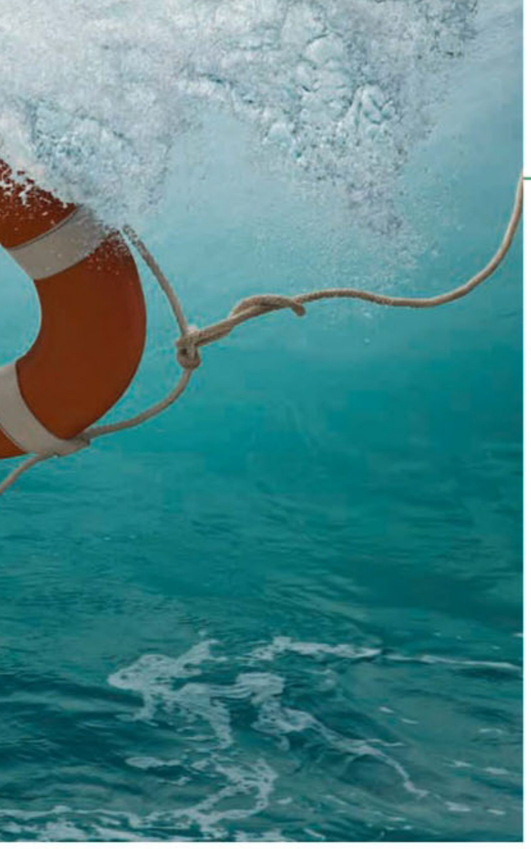
To work overseas

Maria Bekiaris examines the pros, cons and essentials

WORKING OVERSEAS CAN BE an opportunity of a lifetime – you get to immerse yourself in a different culture, possibly learn a new language, meet new people and can improve your job prospects when you get back.

You'll need to get a lot of things sorted before you jump on a plane, including arranging the relevant work permits and visas, lining up a job and shipping all your belongings. Thinking about your banking needs should be close to the top of that list – especially as you'll need somewhere for your salary payments to go.

It can be a good idea to try and set up an account before you leave Australia but that may be easier said than done, depending on the country. Talk to your existing institution first and ask if it can help you. It might have a recommendation for the country you will visit. If not, try contacting an international bank such as Citibank or HSBC. Both say that they can help you set



a stroke or heart attack. Rather than setting and forgetting, you will need to review and adjust your life and disability insurance regularly. As a general rule, the more commitments you have, the more insurance you'll need to protect your loved ones if something happens to you.

HOW MUCH?

A good starting point is to ask what would happen if you disappeared tomorrow. How would your family get by? Could they service mortgage requirements and other loan repayments without your income? Would your partner need to work (more) and to hire home help or pay for childcare?

Most insurance companies have online calculators that can give you a guide to your likely insurance needs but take the time to talk to your partner about what would happen if either of you died and use that to work out how much is enough. Don't forget to consider the other alternatives are available. Do you have savings, super or investments that could be drawn on or would your family be totally dependent on the insurance payout?

Also consider what would happen if you were to become permanently disabled. Total and permanent disability (TPD) insurance is often packaged with life insurance for little extra cost and can provide a lump sum if you have a bad accident and are unable to work.

DO: Take care to read disability insurance policies, as "total and permanent disability" definitions vary a lot. Some, for example, cover you if you can't work in your normal job while others stipulate that you must be unable to work in any occupation.

SUPER OPTIONS

You should have some life (and possibly TPD) insurance through your super fund. If you need to increase your cover, it might be easier on your cash flow to do it through your fund rather than trying to find the extra money from your income. Insurance premiums are also a deductible expense for your fund, so it is usually (but not always) the cheapest way to buy extra cover.

If you can get a tax break on super contributions – either through contributing yourself or salary sacrificing – effectively you can pay for your life insurance with pre-tax money.

But do be aware that super death benefits are only tax free if paid to dependants. Non-dependants (including adult children) may be taxed on any life insurance payouts from your super fund.

Annette Sampson has written extensively on personal finance. She was personal finance editor at The Sydney Morning Herald, *an editor of its Money section and an* Age *columnist. She has written several books.*

TAKE-OUT TIPS

- Review life insurance regularly as your insurance needs will change as your financial and family commitments do.
- Look at the full picture when deciding how much insurance is enough, including your existing financial resources and whether your family will need to pay for extra help.
- Consider topping up your life insurance through super as it is more tax-effective and premiums may be lower due to the super fund's ability to bulk-buy.

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up an account before you leave Australia. Online services may be able to help you open an account before you go, for a fee, if it all seems too hard.

If you can't open an account before you go, make it a priority when you land. Just find out ahead of time what documentation you will need to make this happen so that you don't have to source it from back home. Get in touch with banks in your destination country online to ask what they will need.

It's a good idea to keep your Australian bank account open. Just make sure you don't pay any ongoing fees to keep it open. If, for example, you need to have a minimum amount in the account for any fees to be waived, make sure you meet that requirement or look for an account without that requirement. Ensure you find out what fees will apply if you use this account overseas. In most cases it probably won't be suitable as your main transaction account because the fees will be too high.

"Before departing Australia it's also advisable to check with your bank about the ease and cost of transferring money internationally between accounts in Australia and the country in which you'll live," says the federal government's SmartTraveller website.

"It's important to find out if your host country has any rules which could limit the amount of funds you can transfer between your Australian bank accounts and your host country. Currency laws can be quite restrictive, so do your research."

GETTY IMAGES

CHECKLIST

- Research jobs in the destination country, pay rates and the cost of living.
- Find out the visa requirements to work legally.
- Try to line up a job before you go. Search job boards and contact expatriate groups and local recruiters that have overseas offices. And use social media.
- Get your bank accounts sorted.
- Get an international driving permit.
- Will you remain a tax resident here or become a non-resident? See ato.gov.au.
- Find out if your employer will contribute to your super fund here or to a pension scheme in your new country.

STORY STEPH NASH

Generation GREEN

Renewable energy is now more viable for households but it can come at a high price

BECAUSE OUR CLIMATE IS so dry and hot and we have sweeping open landscape, using solar and wind power makes sense. According to the Bureau of Meteorology, a family living in Mackay can experience about 270 sunny days a year, making them prime candidates for solar power use.

The same family can expect an average yearly wind speed of about 20km/h, so they could also have a small wind turbine as a back-up to their solar generator.

In Australia, we're lucky enough to have a variety of energy choices, but some choices will suit some more than others, in both price and efficiency. And switching over to renewable energy can be very complicated and expensive, more so since the withdrawal of many government rebates.

Solar systems

There are a number of ways that a family home can access solar power. The first is with a solar generator that is connected to the grid for support when the sun isn't shining. Small-scale generators have fewer solar panels and can offset your electricity use by about 30%-50%.

Most small generators produce between 1.5 kilowatts and 3kW in power and cost about $3000-$5000. Large generators produce more solar energy and can offset almost all of your electricity costs. Installer SolarChoice estimates that an average 5kW solar system could set you back a cool $10,000, so while it may sound like a good idea in theory, it's not a decision to make lightly.

Solar energy plans

Solar systems that are fed through the grid are charged set rates per kilowatt-hour (kWh) of electricity used to run the inverter and power your house at night.

Solar analysts SunWiz say the most popular-sized residential system is about 4.5kW, which in Brisbane would produce about 18.1kWh a day. Considering that the average household uses 18kWh a day, a system of that size would almost completely cover your electricity bill most of the time.

Systems this size are not cheap. If you end up saving $400 a quarter on your energy bills with a 5kW system, it could take you more than six years for your investment to reach break even.

Solar and wind power generation are unregulated pricewise in Australia and the biggest problem for their consumers is that it can be very hard to predict how much they will be charged and whether or not they're getting a good deal.

Some energy companies now sell solar systems through their energy plans. Origin Energy, for example, has a new plan called Solar as a Service, which leases 5kW systems to households on a 15-year plan in some states.

Instead of charging customers for the solar system installation, Origin charges a flat rate of 11¢/kWh of solar energy produced over the lifetime of the system. For a 5kW system that generates 8000kWh each year, you would pay $880 annually in solar energy costs – before electricity costs.

But this figure doesn't include the cash back you would get from feed-in tariffs by

Some buyback schemes offer finance – but **when a solar company starts sounding like a bank**, there should be alarm bells ringing

sending excess power generated back to the grid, which could potentially save you a few hundred dollars a year. Some buyback schemes offer to finance the cost of the system over a set period – but when a solar company starts sounding like a bank, there should be alarm bells ringing.

Wind turbines

Small-scale wind turbines are rated at 10kW or less. A 10kW turbine would produce about 25,000kWh per year, which is about three times the average power consumption of a domestic residence in NSW. A structure this size, some 7-10 metres in diameter and 30m above the ground, would be suitable for a small business or farm located in a naturally windy area.

The NSW Office of Environment and Heritage, reports a 10kW turbine can cost anywhere between $65,000 and $75,000, so if you're going to make the switch to wind power, it can be a very costly adjustment.

You can also get small wind turbines mounted on your roof to offset your bills. A 3kW turbine

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CASE STUDY

JARROD HICKS, HEWETT, SA

Jarrod Hicks has a large family. With the regular use of kitchen and laundry appliances in his busy household – and a heated spa for his personal down time – Jarrod's electricity costs would ring up a crippling $1200 bill a quarter.

"I've got my mother living here at the moment, plus I've got three kids," he says. "It was just costing me an arm and a leg for electricity and it got to a stage where I had to look at something else."

Jarrod decided to cut some of the fat and sell the spa and he became determined to look for other ways to cut back.

He installed a 6kW solar system that cost $10,000 through a company called Sun Edison. It brought down his electricity costs immediately.

"At the moment, my electricity bill is down to around $700 a quarter. It's about a $400 saving, which makes me very happy," Jarrod says.

He eventually decided to put some of the money he had saved with solar towards a pool for his kids. Although he admits that the pool cleaning costs are a bit expensive, it's still costing him less than the spa, which is okay with him. "It was expensive to run the spa because it had a heat pump, so the pool is pretty economical in comparison."

A quarterly saving of $400 means it will take Jarrod just more than six years to break even on his solar investment. In the meantime, he could consider other alternative forms of energy to further reduce his bill, such as investing in a large battery to run his solar inverter, perhaps.

is about 10m-15m in length and can generate about 9000kW a year. The smallest available is only 1kW, which is taller than the 3kW and can cost about $10,000 less.

In any case, residential wind turbines are much more expensive than solar generators but, because they're not reliant on daylight hours, they can provide you with electricity at all times of the day. If you're not connected to the grid, a wind turbine could completely offset your electricity bill – you just need planning approval from the state government before you can install.

Earn from what you don't use

The beauty of having a solar or wind system connected to the grid is that you can export the energy you don't use back to the grid for a small reward. Someone who's out during the day can use only 60% of their energy, and the remaining 40% can be sold back to their energy retailer and paid for by a discount on their bill.

The export rate you are paid depends on the state you live in and has varied significantly. Export rates, known as feed-in tariffs, or FITs, used to be a very generous 60¢/kWh in NSW, so the savings you could expect from switching to solar were very large indeed. After the last change in government, FITs in NSW were deregulated, and are now between 6¢ and 8¢ a kWh, depending on the retailer. FITs vary from state to state, so have a look at your state government website to make sure you get the correct amount back from your retailer.

Rebates

The only rebate available across all states is the Small Scale Renewable Energy Scheme. It's one of the only rebates left under the Renewable Energy Target and allows residents to claim cash back after the purchase of their solar generator or wind turbine. If your solar system has solar panels of no more than 100kW in capacity, and produces a total output of less than 250 megawatt-hours (mWh), you may be eligible to receive a rebate for your installation.

The same goes for a small wind turbine under 10kW, which produces less than 25MW a year. In the first year of using your renewable system, you can create small-scale technology certificates (STCs) for every MW of electricity that your system is expected to generate. These certificates are a form of currency, like stamps, and you can sell them back to your system installer or the government.

However, cashing in your certificates can be a little complicated if you haven't had them automatically deducted from your system installation cost. The government will pay a set price of $40 per STC, but it may take you a while to receive your payment.

STCs are traded like shares on the government's STC Clearing House, so you'll have to wait for someone to buy them before you can get your money back. If you don't want to wait, you can sell them directly to your installer or any other company that would be interested in reducing their carbon emissions. It will probably be a quicker but less lucrative transaction.

The verdict

While you may save a lot on your electricity bills by going with a solar generator or wind turbine, the installation costs will take you a long time to pay off, if you manage to pay it off at all.

Craig Memery, an Alternative Technology Association consumer advocate, says that if you really want to save money, you're better off adopting an energy-efficient lifestyle than investing in your own renewable energy system. By buying water-saving shower heads, energy-efficient light globes and a water tank, having quicker showers and investing in home insulation, you can greatly offset your energy bills without forking out thousands of dollars.

CASE STUDY

PHIL BOCK, FRENCH ISLAND, VICTORIA

Before Phil Bock moved to French Island on the far south coast of Victoria, he was the part-owner of a menagerie on Phillip Island. He says the last quarterly electricity bill he received there was about $1800. Now at his new business on French Island, his quarterly bill is only about $100.

French Island municipality is completely off-grid. No water, no power, and no sewerage. Everyone has to be self-sufficient and, for a bustling business like Phil's French Island Inn, it's a way of life that keeps his hard-earned dollars in his pocket.

"We face the south-westers here right through to the heads of the Nobbies on Phillip Island, right out through to Bass Strait – and when she howls, she howls," Phil says.

French Island Inn has had a few wind turbines over the past years. Some were too weak for the island's strong winds, but the latest $20,000 3kW turbine seems to be working perfectly.

"We are totally off grid here, it's a bit unique," he says. "We're not governed by any council, so we don't have any infrastructure, we don't pay rates, there's no running water mains, power or sewer here. So we have to do it all ourselves. Moving over here was a breath of fresh air in regard to power company usage."

Phil's business is also connected to a $20,000 5kW solar system and battery. The entire renewable energy system is backed up by a diesel generator, which used to cost him about $400 a quarter before the wind turbine was installed. Apart from the diesel generator, Phil's business is a greenie's paradise – a low-emission, independent power system.

Genesis Now confirmed that Phil's entire system set him back about $50,000. Considering that, on Phillip Island, his old business used to cost him about $1800 a quarter, his new system saves him about $1700 a bill – that's a bit more than a seven-year turnaround period for his investment to break even.

“If someone says you can have a residential-scale, grid-connected wind turbine **that can save you money**, then they’re either a bozo or a shyster”

“If you want to get the biggest bang for your buck, I would say before you even install solar, have a look at what else you can do first,” Memery says. “Energy efficiency is actually still the best option for people who live in homes that can be retrofitted.

“For people who aren’t at home during the day, their big energy demands are early in the morning when they switch on everything and late in the evening when they switch on heating or cooling as they get home from work. Solar is not generating a lot at those times of day, so having a home that’s well insulated and a bit draft-proof is going to save you more money than having solar.”

But if your budget isn’t so limited and you’d like to take more of a green approach to your savings, Memery says that solar is now so cheap that it can definitely be worth your while. While you may find it logical to opt for a larger system to try and offset all of your electricity, Memery says that this can be a costly mistake. Large systems might lead you to export more energy than you’re using, which actually costs you more as the payment is only a discount on your bill.

“Solar is so cheap upfront that it is guaranteed to be cost-effective for most people,” he says.

“If you get a solar system that generates around 50% of what you use in the home, you often get a better payback than if you get a bigger system. The reason for that is if you get a really big system, it exports more energy and you don’t get as much for what you’re exporting.”

If you’re considering installing a small-scale residential wind farm and connecting it to the grid, Memery strongly advises to stop now and forever hold your peace. Small wind farms can cost between $20,000 and $40,000, and Memery says that there is no way that the technology is good enough yet to be able to make a return on the investment.

“If someone is telling you that you can have a residential-scale, grid-connected turbine that can save you money, then [they’re either] a bozo or a shyster,” he says. “Bozos because they don’t know what they’re talking about, or shysters because they’re dodgy and they’re trying to rip you off.

“There will never be a small wind turbine, based on what’s out there at the moment and what’s foreseeable, that will pay for itself.”

Going off-grid is also apparently not worth the costs. Memery says if you’re looking to go green, it will cost you less to be connected to greenpower than it will to go off-grid.

Greenpower, a government initiative that sells solar, wind and hydro-generated electricity to consumers through the grid, is regulated in NSW, Victoria, South Australia, Tasmania and the ACT. Resources and Energy NSW says it costs between $1 and $7 a week to offset your bill with Greenpower, which can far outweigh the tens of thousands it costs to go completely off-grid.

It also pays to be careful when it comes to solar plans. Memery says that solar-leasing arrangements and power-purchase agreements can be really dodgy, so it pays to read everything thoroughly and run any contracts past an accountant before you commit to buy.

“It might seem like a good idea because you might pay nothing upfront, but you’re going to be better off if you can finance it yourself – almost always” Memery says.

“We’ve looked at the products, and we’ve found that often the interest rates that are charged are worse than if you put it on a credit card. So be really careful of that, and look at what you’re paying.” **M**

SUNSHINE SAVINGS

	LOCATION AND SUPPLIER			
	KEW VIC 3101	MASCOT NSW 2020	WINDSOR QLD 4030	HAWTHORN SA 5062
Current supplier	Lumo	Origin	Ergon	Energy Australia
Average quarterly usage[1]	2043kWh	1809kWh	1719kWh	1593kWh
Average quarterly cost[1] (no solar panels)	$549	$491.75	$526.50	$612
Average quarterly solar production[2]	491.4kWh (5.4kWh a day)	532.35kWh (5.85kWh a day)	573.3kWh (6.3kWh a day)	573.3kWh (6.3kWh a day)
Amount fed back quarterly into grid	50% 246kWh	50% 266kWh	50% 287kWh	50% 287kWh
Revised quarterly usage	1797kWh	1543kWh	1432kWh	1306kWh
Recommended solar plan	Momentum SmilePower 24 months VIC	Origin Daily Save Plus NSW	Dodo Electricity Zero Term Contract QLD	AGL Solar Savers
Revised quarterly cost based on solar plan charges	$405	$379 (incl 15% pay on time discount)	$425 (incl 15% pay on time discount)	$414 (incl 12% pay on time discount)
Potential annual benefit excl solar feed-in tariff	$576	$451	$406	$792
Potential annual feed-in tariff[3]	$61	$64	$46	$92
Potential annual value	$637	$515	$452	$884

Source: iSelect, 11-Aug-15. Estimates only; household costs will vary based on location, size of solar system, meter type, energy usage and other variables. They ignore the cost of installing solar panels. Case study assumptions provided by *Money*, including 50% feed back into grid. Costs assume a single rate meter (peak rate meter). SA cost is based on non-summer prices. Feed-in tariffs subject to change. Excludes government incentives for feed-in tariffs as most incentive schemes have closed.
iSelect can only compare plans offered by our panel of providers on our approved product list. iSelect cannot provide electricity comparisons for TAS, NT and WA. NT and WA are not part of the national energy market (NEM). TAS is part of the NEM but has only one residential electricity provider (Aurora Energy). iSelect can only assist existing solar customers.
[1]Source: energymadeeasy.com.au. [2]Source: Clean Energy Council Consumer Guide 2011. [3]Current FIT as advised by retailer.

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STORY EMI BERRY

Social success

Businesses need to connect – with customers and to check out progress

LIKE IT OR NOT, SOCIAL media plays a very important role in promoting your business and connecting with your customers. Twitter, Facebook, Instagram, YouTube, Pinterest, LinkedIn and Google+ are among the platforms being used to increase brand presences online. Emma Parsons, the senior social director at advertising agency Leo Burnett, says any business, no matter how small, must be where their audience is and that, more and more, is online. "Having an online presence drives discoverability which, especially when starting out, is crucial to growth."

Parsons shares her 10 top tips on how a small business can go social:

1 Invest, invest, invest. Be prepared to invest time, energy and money – as much as you do in any other form of communications – for social media to truly deliver against your business objectives.

2 Social media platforms are just one component of being social. Your ideas, content and behaviour must be inherently social too; social media is just the vehicle through which your social content comes to life and influences behaviour.

3 Know your audience. Be really clear about who you're talking to (not just business-to-consumer but also other business stakeholders and the like). Understand their online behaviour and target accordingly.

4 Work within a strategic framework based on your business goals. Consider how social can help you hit your business objectives. Define the type of content you want to publish and then choose the most suitable platforms.

5 Choose your platforms, based on your audience and your business. There is no one size fits all. LinkedIn is great for positioning you as a thought leader; Pinterest and Instagram are visual; Facebook is great for storytelling; and Twitter is ideal for real-time communication.

6 Strive to be relevant – there's no need to constantly post. Thanks to the countless Facebook algorithm changes, coupled with the monetisation of the platform, taking an "always-on" approach no longer has the impact on saliency and engagement it once had. To be more effective, always strive to be relevant – either on a cultural or personal level.

7 Social media is agile and you should be too. Listening for cultural shifts and happenings helps identify relevance. Streamlined approval processes equals quick reactivity.

8 Be a thought leader. Become actively involved in a community around your industry. Positioning yourself as a key person of influence drives saliency for your business.

9 Get creative. Regardless of what your business does, your online presence doesn't have to be boring. Take the time to develop your brand personality and to discover what motivates your audience to interact with your content through a test-and-learn approach.

10 Ensure you measure and optimise against the results. Set your key performance indicators upfront and choose the right metrics to determine if you hit them, then track your progress, either manually or via a social reporting tool (free and paid options are available). Optimise based on what does deliver against your KPIs. ***M***

DAMAGE CONTROL

"Everyone makes mistakes", says Leo Burnett's Emma Parsons. "It's how you handle the fallout that determines public perceptions." Of course, situations differ but the rule of thumb is that once you realise your mistake or poor judgment do the following:

- Put it in context. Is it a storm in a teacup or can it damage your brand?
- Publish an honest, straightforward apology. Take responsibility and make a promise to rectify the situation.
- Put a plan in place to deliver on your promise and then deliver.
- Be sensitive to your audience. Don't move on to the next campaign until you're confident you've regained trust. There's no need to respond to every comment, delete your presence or argue back. Deal with it swiftly, with dignity.

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PROPERTY

VALUE ADDING

$10,000 makeover

If you had a budget of $10,000, what renovations would you do and what value would it add to your home?

Deb Bibby

editor *Real Living*

Kitchen: I would install a new benchtop, paint dated timber cabinets and replace the drawer handles. Then look at the ceiling light – could it be replaced with something more contemporary? There's an amazing selection of stylish pendants on the market for under $100, worth it for the wow factor. I'd also paint an old tiled splashback and finally add a fresh lick of paint to remaining walls and ceilings. **Bathroom:** Consider replacing a dated vanity, have an old bath resurfaced (for as little as $500), add a fresh shower curtain and paint those tired bathroom tiles. Also, buyers love storage, so think about replacing the bathroom mirror to incorporate one with storage or a shelf. Check lighting and swap it out for a new-look fixture. Finally, paint walls and ceilings. **Paint:** This will revive and refresh and add more in perceived value. A 10-litre drum of paint will cost between $100 and $160 and undercoat will cost about $70, depending on brand. You'll need about 20 litres of paint for the interior, exterior, tiles and cupboards of your three-bedroom house – that's $3200 using premium paint – but let's say $4000 for a little contingency. So far we've spent just over $7430; with the remaining $2570 I would get help with painting the house.

Every dollar you spend should return $3. How much should you spend? The best rule of thumb is 2% of your property value, less if possible, but no more. These quick fixes could add up to $50,000[1] value to your home.

Paul Eslick

RenoKings

Painting: It's the best bang for your buck. DIY airless spray walls and ceilings in the same colour using water-based paint. Buy bulk 15-litre cans. Brush-paint trims with quarter-strength paint after the first painting has dried. Hiring and paint should cost about $680,and add value of about $10,500[1].
Add a bedroom: Convert that part of an L-shaped lounge room you don't use into a bedroom by adding a wall with a door opening. Materials should cost about $1230, and it will add about $33,700 in value.
Kitchen: If the carcass is okay, make sure doors swing properly, drawers slide and the benchtop sits flat. Install new handles, paint tile splashback, paint or replace laminate, replace tap handles and polish stainless steel with marine-grade polish. Keep an eye out for second-hand kitchens. Your kitchen will look brilliant for just $445, adding value of about $9800 to your home.
Bathroom: Paint tub and wall tiles white. Replace shower curtain with glass screen and replace toilet bowl and seat. This should cost about $680 for added value of $8500.

[1] *The values added are based on median house prices in, respectively, Sydney and Brisbane.*

Depreciation deductions overlooked

The tax time deadline is upon us and, if you're one of the stragglers who haven't completed a return, you might want to start making a list of what you can claim. Research from BMT Depreciation shows that 80% of investment property owners don't take advantage of property depreciation come tax time and could be missing out on thousands in cash back.

BMT says closed-circuit TVs, garden-watering systems, intercoms and solar-power generators are among the most commonly forgotten deductions, which together could be worth $1500. To best take advantage of property depreciation, BMT suggests contacting a specialist quantity surveyor to help you create a depreciation schedule. Then run the items past your accountant to make sure all are in your claim. If you think you've missed a few items, the tax office usually allows you to go back and amend the previous two years of deductions. STEPH NASH

RARELY CLAIMED

ASSET	VALUE FOR CLAIM	YEAR ONE DEDUCT'N
Closed circuit TV syst	$1550	$775
Garbage disposal unit	$455	$85
Garden watering syst	$558	$105
Intercom system	$745	$140
Solar power system	$5500	$550
Spa bath pumps	$425	$80
Auto window shutters	$800	$150

Source: BMT Quantity Surveyors, 2015. Deductions are based on the diminishing value method and are for first full financial year's claim. Assets with depreciable value of $300 or less can be written off immediately in the first full financial year. Assets with a value of $1000 or less can be added to a low-value pool and depreciated at 18.75% in the first year.

INSIDE PROPERTY THIS MONTH

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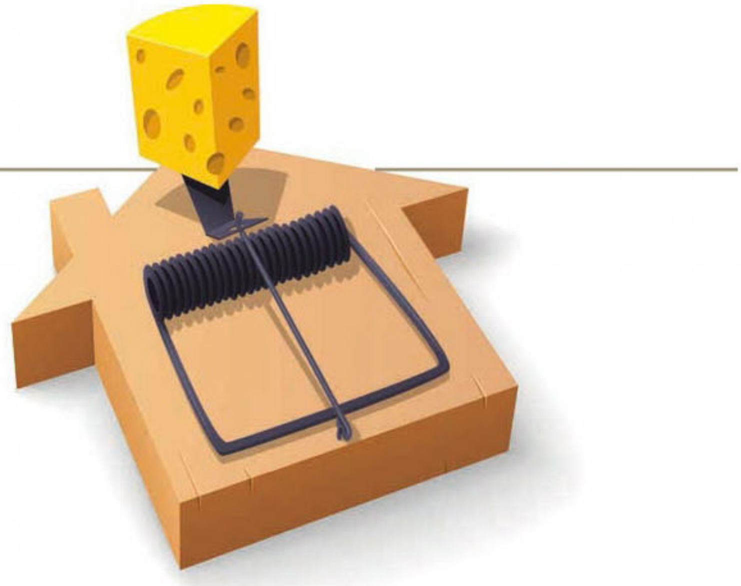

Savings trap

Booming property markets make buying unaffordable for many residents, writes Pam Walkley

RENT OR BUY? SOME HAVE NO choice, especially those who want to live in the inner-city areas of Sydney and Melbourne. They cannot save the deposit needed to buy into markets where prices have risen exponentially, virtually 50% over three years in Sydney and 32% in Melbourne.

These hot markets have become the domains of investors, not home buyers, even though rental growth has slowed to record lows. In Sydney, house prices increased by 18.4% in the year to July 2015, but at the same time rent increased by only 2.5%, leading to a record low average rental yield of 3.2%, CoreLogic RP Data reports.

It takes seven years on average for an Australian to save up their required 20% deposit, says Chris Brycki, founder and CEO of Stockspot. In Melbourne and Sydney it takes eight and nine years respectively. Sydney is now a renter's rather than a buyer's market. In Melbourne, house values rose 11.5% in the year to July 2015 but rentals only 2.3%, leading to an average gross yield of 3%, the lowest in Australia.

Even if you can scrape together a deposit and afford to service a mortgage at such low interest rates, you need to ask yourself if this is the best strategy at this stage of the cycle in Sydney and Melbourne. "The Sydney figures suggest that housing is risky and with limited upside, especially when interest rates start to rise," Brycki says.

You need house price growth of more than 2.4% a year above inflation – so about 5% a year all up – to be better off buying than renting, says a research paper by Reserve Bank economists Ryan Fox and Peter Tulip, released mid-2014.

Fox and Tulip estimated the costs of buying a property that first-time buyers can easily overlook, such as repairs, taxes, water bills, strata levies and lawyers' fees. And they set them against the cost of renting a comparable property.

Of course those areas where price growth has been above 5% are in the more expensive suburbs. In the past 10 years, suburbs in Sydney's inner west, east and north have scored the greatest gains.

Those living in other capital cities don't face the same problem because prices have not risen as much – less than 13% over the past three years. But in most capital cities, the inner suburbs, where many young professionals prefer to live, are the most expensive and unaffordable for many.

Affordability aside, some people choose to rent rather than buy, maybe because of flexibility to move around, reluctance to take on large amounts of non-deductible debt, or to avoid the hassles of ownership, such as repairs and maintenance.

Given that home ownership has been a well-trodden path to wealth creation in Australia, those who don't buy a family home need to think about investing the money they would otherwise pour into a home. If you continue to rent, consider investing savings, which you would otherwise add to your house deposit fund, in a higher-returning and lower-risk long-term investment, suggests Brycki.

"For example, a diversified portfolio of Australian and international shares and bonds currently generates dividends of about 3.7% a year, meaning their return is 37% higher than Sydney property, which returns 2.7% a year," he says. "In addition, shares have generated higher capital returns over the long term."

But many Australians have more faith in property than shares as a way to build wealth. Renting in the area where you want to live and buying elsewhere, particularly in a market that hasn't shown as much growth, is a growing trend.

Pam Walkley, founding editor of Money *and former property editor with* The Australian Financial Review, *has hands-on experience of buying, building, renovating, subdividing and selling property.*

For example you can get rental yields as high as 5.7% for Darwin houses, 5.5 % for Brisbane units and 5.2% for Hobart houses, says CoreLogic RP Data. And those willing to buy in regional areas will earn an even better rental return, although capital growth is likely to be slower.

The advantages of such a strategy will include being able to use tax-deductible debt to build wealth and reducing your tax bill through negative gearing.

The negative gearing aspect will somewhat negate the fact that many lenders are now charging investors higher mortgage rates than home buyers.

And at some stage you may be able to sell your investment(s) and buy your dream home in your dream location.

INVESTORS HAVE OPTIONS

In response to a booming property market and regulator changes, the big banks have introduced a number of steps to curb borrowing for property investment. Most significantly, this has included raising interest rates for property investors and introducing tougher loan-to-value ratios.

For the first time since most can remember, many investors are now paying interest at rates higher than what is charged to home buyers. So where does this leave budding investors? In a good spot - if they are free thinking and ready to look beyond the banks. Non-bank lenders are well positioned to offer high performance investment loan products – both in terms of rate and flexibility of lending criteria. Now more than ever it pays to look outside the box when looking for an investment loan.

Heidi Armstrong, head of consumer advocacy, Liberty Financial

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STORY PAM WALKLEY

Pocket the potential

In a booming market, buying a property in need of updating can offer a quick value boost

WITH HOME PRICES going through the roof in some areas, particularly in parts of Sydney and Melbourne, both buyers of family homes and residential property investors run the risk of buying at or near the top of the market.

Because interest rates are so low and many have to borrow so much – up to 90% of the value – there is a real risk of being hit with a double whammy when rates rise, as they inevitably will. If you buy at a relatively high price, the value of your property could fall below the level of your mortgage – meaning you'll have negative equity – at the same time as your loan repayments rise.

One way for home buyers and investors to cushion this is to buy properties they can improve and add value to in the short to medium term. This can act as a type of insurance against buying when the market is booming.

"Buying a property with a 'twist' – with renovation potential – makes good sense in today's market," says Michael Yardney, a director of Metropole Property Strategies and a leading property investment adviser.

"It's a way of forcing appreciation or 'manufacturing' capital growth at our current more mature stage of the property cycle, when we can't expect the same strong capital growth that has been enjoyed by some capital cities over the last few years."

But finding properties to renovate, subdivide, landscape or extend with a granny flat is not as easy as it sounds and requires intensive investigation.

There are two types of renovation: cosmetic – including repainting, reflooring, fixing up or replacing the kitchen and bathroom(s) and some changes to layout – and structural, which means adding additional floor space.

Cosmetic

It's easier to find properties you can renovate cosmetically. But it's still important to buy in an area where the improvements you make add real value.

If you are buying property to hold long term, you should apply the same criteria you would to selecting any investment, says Yardney. "Take a top-down approach. Is it a good suburb? Is it a good area within the suburb?"

Using these rules, Bryce Yardney, Michael's son, bought a rundown apartment in the beachside suburb of Elwood, eight kilometres from Melbourne, for $450,000 in mid-2014, and spent $50,000 on a cosmetic renovation.

"Bryce manufactured capital growth because when he completed the renovation his property was worth $535,000," Yardney says.

And releasing the equity in this has given him the deposit to buy his second property – another apartment ripe for renovation. (See, Cosmetic renovation, Elwood, Victoria on opposite page.)

When it comes to property renovation, Cherie Barber, property investor and creator of the Renovating for Profit course, has a few rules. "Look at changes that add real value as opposed to emotional changes which don't," Barber says. Changing the layout of unrenovated '60s, '70s and '80s houses can certainly add value.

"These houses are all about segregation with myriad rooms that make the houses look smaller." Where possible, remove walls so you don't have separate lounge and dining rooms and to create a bigger bathroom rather than a separate bathroom and toilet. Aim to have bedrooms at the front and the kitchen and living areas at the back, connecting with the backyard, Barber advises.

An example of undertaking this type of work to add instant value is a house Barber bought for her own portfolio in the outer-western Sydney suburb of Lethbridge Park late last year for $313,000. After a $50,000

COSMETIC RENOVATION ELWOOD, VICTORIA	
Two-bedroom apartment	
Bought mid-2014	$450,000
WORK DONE: replaced kitchen, retiled bathroom, put in laundry facilities, installed air-conditioning in lounge, recarpeted, repainted and replaced light fittings	
Total cost of work	$50,000
Total outlay	$500,000
Value on completion	$535,000
MANUFACTURED CAPITAL GROWTH	**$35,000**

COSMETIC RENOVATION LETHBRIDGE PARK NSW	
Three-bedroom house	
Bought late 2014	$313,000
WORK DONE: walls knocked out to create living-dining area, new kitchen and bathroom, repainting, added storage, ceiling fans, sliding doors to garden	
Total cost of work	$50,000
Total outlay	$363,000
Value on completion	$520,000
MANUFACTURED CAPITAL GROWTH	**$157,000**
Rental growth: from $320pw to $480pw	

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renovation, which included removing some walls, the property was revalued at $520,000, Barber says. Rental income rose from $320 a week to $480. (See Cosmetic renovation, Lethbridge Park, above.)

This is an example of making a triple profit, Barber says. The revaluation is profit one, the rental premium is profit two and further capital gain over time is profit three.

Structural

If you are looking for a property where you can add space, either by building out or up, one of the most important things you need to know is what the local council allows, Yardney says. Importantly, you need to know how much built space is allowed relative to the land size. You can find out a lot online, including the zoning and what it means, but many councils have under-the-counter policies, says Yardney, so speaking to a town planner is often the best way to go.

Visit open houses to see what other people have done and to get ideas. This should help you establish the difference in prices between renovated and unrenovated properties. Ask yourself if the gap is big enough to make it worthwhile, Yardney says.

Get the relevant reports – pest and building – before you buy and, if you intend to go up, also an engineer's report. "A lot of places were never designed to support a second storey," Yardney says. You need to know how much it will cost to put in beams or new footings. It might also be worth getting a soil report to make sure it can support an upper level, he adds. "These things cost but can save you making big mistakes."

You will need an architect or a draftsman familiar with local council requirements to design your extension and guide it through council, which can take many months.

Builders can do design and construct packages, but this doesn't give you a lot of control over price, Yardney says. "Better to go with a draftsman and get quotes from several builders."

As a rule of thumb, a structural renovation should yield $1.50 for every $1 spent, so $100,000 should result in increased value of $150,000, Yardney says. Barber aims for more, saying renovations should add $2 for every $1 spent.

Getting bank finance for renovations, often up to 80%, is easier if you have a builder with a fixed-price contract. Also don't forget the holding costs and interest while the work is being approved and undertaken. "Can you live in it while the work is done around you to save costs?" Yardney asks.

Granny flats

While granny flats have been portrayed as great ways to improve the value of a property, neither Yardney nor Barber is a huge fan.

"You really only add a lot of value if the property is formally subdivided," Barber says.

"Otherwise it's just one property with two dwellings. A plus is it adds rental income for passive investors."

Her company recently helped an investor couple renovate an existing property and add a granny flat in South Windsor, 60km north-west of Sydney, increasing the rental income from $360 a week to $700 and putting an additional $500 a month into their pockets after paying the mortgage. But the increase in the value of the property after costs were taken out, was only about $14,000. (See Renovation and granny flat addition, at right.)

"Building a granny flat may increase the value of your property," Yardney says. "But you'll probably find it won't increase it as much as the cost of construction."

The addition of a granny flat could also reduce your resale value due to minimal demand from owner-occupiers, most of whom aren't keen to have a granny flat in the backyard, Yardney says. He adds it could also reduce rental market potential, because most tenants don't want another tenant in their backyard.

Still, if adding a granny flat is on your agenda, you will need to make sure the property you buy has sufficient land and is in an area allowing them.

"People fall for the marketing hype that a property will support a granny flat, buy it without doing their own investigations and then find out they are not allowed to add one," Barber says.

Subdivision

If your home is on a large block of land you might think you can make a motza by subdividing and selling off the back or side block. But, says Yardney, this is not usually the best way to go.

You have to think of access and aesthetics; often the existing house is not appropriately sited to allow this and you need to ask how well it will work with an older home sitting alongside a new one. There can be costly problems associated with sewerage and stormwater drainage. And there are tax implications with subdividing the block your home is on (See breakout, Subdividing and tax.)

If you are buying a property with the idea of subdividing to make quick money you must make absolutely sure that the block is big enough to allow this, and rules vary from one council area to another.

Even in areas favouring this activity, such as Brighton in Victoria, it's still hard to achieve, given the minimum block size there is 400 square metres. But most existing blocks are only 650-700sqm and therefore cannot be split, Yardney says.

SUBDIVIDING AND TAX

If you subdivide a property you bought after September 20, 1985, it's likely you will be up for some capital gains tax (CGT) when you sell one or both properties.

From the tax office's point of view, the base date is when you acquired the original property and the cost base needs to be divided between the subdivided blocks on a "reasonable basis".

Let's say you divide a 1000sqm block into two 500sqm blocks and you paid $460,000 for the land component. A valuer says the back block is worth only 46.7% of the total value because its access is not as good, so its base cost is $215,000. Add extra costs such as a portion of stamp duty, legal fees and water and drainage costs and the cost base rises to $243,548.

If you sell it for $260,000, you make a capital gain of $16,452 and pay CGT at your marginal tax rate, with a 50% reduction if you have owned it for more than 12 months.

Similarly, if you built a house on the back block and sold it you would pay CGT on the profit after deducting all your costs.

But if instead you moved into the new house on the back block and sold the old one, you would incur no CGT as this was your family residence.

Finally, let's say you sell this new home after five years (10 years after you acquired the original property). You may have to pay CGT for the five-year period when it was not your residence. It's complicated, so it's probably best to get advice on your individual circumstances.

RENOVATION & GRANNY FLAT ADDITION
SOUTH WINDSOR, NSW

Three-bedroom house	
Value before work	$385,000
WORK DONE: renovation of existing kitchen, bathroom, repainting and adding bedroom wardrobes plus the addition of a new two-bedroom granny flat	
Total cost of work	$111,000
Total outlay	$496,000
Value on completion	$510,000
MANUFACTURED CAPITAL GROWTH	**$14,000**
Rental growth: from $360pw to $700pw	

And subdivision can also take up to two years. "Consider whether you can live in the old house before it is demolished or put a tenant in for a year to help cover the costs," Yardney says. Done the right way, subdividing can be lucrative, as can be seen with a two-townhouse development in Bentleigh, in Melbourne's middle ring, which Metropole project managed. It took two years and three months to complete and made the investor a profit of almost $400,000, about 15% of the total costs, fees and interest.

"Even though the investor was keeping both townhouses as long-term investments at the end of the project, he subdivided the two dwellings, enabling him to refinance both at up to 80% of their market values," Yardney says. "He now owns two modern dwellings with substantial depreciation benefits in a high-capital growth suburb which are cheap to own."

Landscaping

When it comes to fixing up your yard, spend as little as possible on the back but go to town on the front, spending up to 1.5% of the property value, Barber says.

The only exception out the back is a deck, which can add value. Use treated pine to keep costs down and paint it the same colour as the house trims, Barber advises. Apart from that, tidy it, clean the house facade and, if all the fences are different, spray paint them to get a uniform look. All this you can do yourself.

Out front you need to create bulk and scale with raised garden beds, turf and paths. And add some bling in the form of front door lights, letterboxes and other accessories, including water features and urns, Barber says.

"Cement render can catapult a '60s-'70s house into the 21st century. To keep costs down, render the front only and paint the rest or just leave the bricks." **M**

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STORY PAM WALKLEY

Modular squad

The high cost of housing is pushing people into granny flats, caravan parks and even shipping containers

BECAUSE MAINSTREAM housing in Australia is among the world's most expensive, more and more people – both young and old – are locked out of home ownership. Less conventional options, such as prefabricated, trailer and container homes, are far cheaper alternatives, and many can leave buyers with change from $100,000.

But they are not without their problems, such as obtaining finance to buy them. And for those who need to be within travelling distance of work, finding affordable land for their cheaper homes can be difficult.

For retirees, who have driven a boom in trailer parks, neither of these factors is usually very important. Many are downsizing from family homes to free up cash and supplement their age pension or super, and they will pay for their new home outright. Others are moving from rentals, no longer needing to live close to jobs, and can use all or part of their super to secure an affordable home.

The increase in permanent residence in caravan parks is changing the perception that they are just destinations for holidaymakers. Many are being relabelled manufactured housing estates (MHEs).

Prices for demountable or modular homes on MHEs, some earmarked for over-50s, start at $50,000-$150,000 for one- and two-bedroom second-hand properties, rising to more than $300,000 for a new three-bedroom home. (See homeparks.com.au for properties for sale.)

Once you have bought your modular home in an MHE, you usually pay a ground rent to the operator. These fees vary but in NSW, for example, they range from $115 to $150 a week, according to residentialparkliving.com.au.

The demand from over-50s for caravan park homes has been strong. International real estate broker Colliers estimates it will increase nearly 30,000 additional units by 2026, almost a 40% rise on the 2011 level. That could surge to almost 50,000 extra units over the same period if demand increases at a "moderate level", as has happened in more mature overseas markets, says the broker. A number of listed companies offer investors an opportunity to invest in this sector. For example, Ingenia (ASX code INA) has sold traditional retirement villages and bought 15 parks since entering the sector in early 2013.

At the other end of the spectrum, young singles or families struggling to afford a conventional home can buy a modular or a container home far cheaper. But they have to overcome the twin hurdles of financing the purchase and finding affordable land.

A solution to the land problem for some is their parents' backyard. If the block is large enough for a granny flat, this can provide a great first home. Even better if mum and dad pay for it and allow you to live rent-free until you save a deposit to buy your own place.

If the granny flat is built on-site, it's likely you will be able to finance it with a regular construction loan from a bank, says Jessica Darnbrough, from Mortgage Choice.

Construction costs vary but a 30sqm one-bedroom building was quoted at $74,000 on grannyflatfinder.com.au. A similar sized container home would cost around $21,000 – or $700 a square metre – says Jamie Van Tongeren, the CEO of Container Build Australia, plus around $16,000 for added costs such as transport, utility connections and council fees. The total of $37,000 represents a considerable saving.

But you won't be able to obtain a bank mortgage on the property until it is finished on-site, Darnbrough says. The same rules apply even if you own the block of land where the home is to be sited. In the meantime, you will have to pay the company building your home in its factory.

Some companies have ties with non-bank lenders and can organise finance, Darnbrough says. Once the home is on-site you may be able to refinance to a cheaper mortgage, if the original loan allows it. Alternatives include saving enough to pay for the building upfront or taking a personal loan and refinancing to a mortgage on completion. *M*

NO PLACE LIKE A CONTAINER HOME

- $2000: starting price for a single second-hand container with door and window frames cut out.
- $3500 for a new container.
- $20,000-$30,000 for a basic model with bathroom and air-conditioning.
- $50,000 for a two-bedroom home.
- $300,000-plus for a large designer home.

STORY MICHAEL TEYS

The heart of strata

Strata title has been driven by people power for half a century. It doesn't need change, it just needs some commonsense

GETTY IMAGES

APARTMENTS ARE the new houses for a growing number of Australians. Housing affordability, ageing, environmental issues, immigration and shrinking household formation patterns are driving this shift. Apartments are now the dominant form of new housing in many of our capital cities. In a little under 20 years more than half of Sydney's population will live in apartments. In other cities the trend will be the same.

What is strata?

In the strata world there is much to be confused about. The use of the term "strata" itself is curious. Strata is the plural of stratum, a geological formation. It also has distinct meanings in ecology and sociology. Broadly, it connotes layers, portions or divisions hence its application in Australia to the subdivision of land, buildings and airspace to separately titled property and shared common property and facilities.

We could have used the term "condominium" or "homes" as the Americans do to describe these spaces but instead, we chose a geological term. Now it will probably stick, as these linguistic accidents of history tend to do.

Who is attracted?

Strata properties appeal to Australia's current demographics. We are ageing as never before. The front-end baby boomers have tired of their three-, four- and five-bedroom homes and are looking for a more convenient and interesting way to live. The redeveloped inner cities and docklands are their new spiritual homes. The cafes, restaurants, art galleries and bookshops are their temples and they worship there in their droves.

Their children, if not still in the suburban home abandoned by their parents, are taking to the smaller and more affordable apartments in and around cities and business districts. For them, a busy and cosmopolitan lifestyle is as important but the issue of affordability affects them as well. The traditional form of detached housing is not for them, at least at first because of this issue.

Their time for the backyard and white picket fence, if they are so inclined, will be delayed until they marry and rear children later in life. Meanwhile, other strata dwellers – couples without children and singles – might stay with the concept and upgrade to new, bigger and better home units.

At the other end of the spectrum the boomers' parents, who are living well and longer, want

more as well. Suddenly, remaining in the family home is not that attractive. The value has increased exponentially and this capital can be unlocked to downsize and fund their longer life.

In downsizing, there is no element of downgrading. In apartment buildings, which for older people are an appealing alternative to retirement villages, they will get indoor pools and gyms, community meeting rooms and media facilities as well as the traditional gardens and outdoor areas.

Strata turns 50

The legal concept of strata title that has dominated my working life is facilitating this change. Invented just over 50 years ago as a means of conveniently financing separately owned flats with common property and facilities, the strata concept has come a long way. Over the first five decades of the "strata age", increasingly complex laws have been developed to accommodate increasingly complex buildings, many of which now incorporate a mix of uses.

Reflecting the society in which we live, more and more laws have come to be passed that regulate the way we live and set the standards to which we aspire. Human rights, privacy, safety and environmental control laws fit this category and apply to us as natural people and our corporate entities, including owners' corporations and bodies corporate that exist to hold and control our common property.

What are owners' corporations?

Despite the trend towards more complex housing forms and the many and varied laws that apply to them, our owners' corporations and bodies corporate are compulsory not-for-profit organisations. These are strange animals.

Volunteers from within the strata community concerned run them – no matter how big or small or materially resourced and educated that group may be. Our developers imagine and then give life to these complex arrangements of shared floors, walls and ceilings. And then, when the last apartment or townhouse is sold, they exit and hand the keys to the common property to the person who blinked at the first owners' meeting and, as a result, became the chairperson of the owners' collective.

Unprepared, unresourced and uneducated in the way of all things strata, this person, and the chosen few who attended the first meeting and also blinked, assume control of property worth many millions of dollars, often without so much as a set of plans to help them on their way. What could possibly go wrong?

A property of the same value and complexity, if used for commercial rather than residential purposes and owned by an institution rather than a group of private investors, would have a small team of tertiary-educated, full-time employees dedicated singularly to its proper functioning and care.

Confused and dazed, each newly elected strata owners' group knows not who to trust nor where to turn. Surprisingly, there is little material in the form of manuals and aids to help this strange new body become properly formed and functioning.

First owners' corp meeting

Charged with a sense of civic responsibility, the newly elected members of the owners' corporation arrive, one by one, late for their first meeting as a strata community. Parking, traffic, settling children, conference calls with head office in London, these are given as the excuses for being late. Half an hour or more from the appointed hour, the meeting gets under way.

There is an uncomfortable silence as the group realises someone has to step up to be chair. Not wanting to appear pushy, the person who wants the chair most sits back until the fluffing around is unbearable for this Type A personality and into the ring goes his or her hat. "I'll do it if no one else will," says the self-appointed one with a false air of martyrdom. The person with the clipboard is the obvious choice for secretary.

This appointment takes no time at all. The

10 copies to be won

This is an excerpt from *Growing Up: How Strata Title Bodies Might Learn To Behave* by Michael Teys, Major Street Publishing 2015.
To win one of 10 copies tell us in 25 words or less the best way to streamline strata owners' corporation meetings. Email your answer to money@bauer-media.com.au or send to *Money* magazine, GPO Box 4088, Sydney NSW 2001. Entries close September 30, 2015.

GETTY IMAGES

call goes out for the accountant or bookkeeper, for one will invariably be among their number. Having identified him or herself, a treasurer has been appointed and we're set. But set for what?

"Let's make an agenda", says the chairperson on debut. There follows an outpouring of personal grievances from the committee members: the temperature of the pool, the randomness of parking habits, the dog faeces on the podium level, the butts flicked over the balcony and, of course, the need to keep the levies the same as they were last year despite the price of insurance, energy, wages and every other expense ever known to a strata community having gone up.

When the chairperson's notebook page is full of issues, and all have flagged their particular pet cause, it's time to get down to business. An issue is selected for debate. There is no particular order to this; just the one that was mentioned first and therefore got top billing.

It might be dogs. Should we have them, should we not? Should we allow only small dogs (as if small dogs don't bark)? If we are allowing small dogs only, what type? How do we define a small dog? Is it to be defined by height, by weight, by breed? We should put up a sign: "Dogs, please ensure your humans clean up after you."

It's 9.30pm and there is no agreement on dogs. A subcommittee is formed to look into the issue of canine behaviour and report back at the next meeting.

The truth is, we **don't need more strata laws**; those we have are perfectly good

Another issue is attempted and the same process plays out. It's now well after 10pm and everyone is exhausted. So the meeting ends and the committee stands adjourned to a date unspecified until someone thinks to call another meeting.

Is it any wonder that 50 years into the strata age, apathetic and dysfunctional are the two most common words used to describe an owners' corporation or body corporate?

The next 50 years

Strata has thrived the first 50 years and has forever changed our urban landscape and the way we live and relate to our neighbours in our more compact cities. The truth is, we don't need more strata laws to survive the next 50 years. Excepting those of Queensland – which needs to throw out its six volumes and start again – the laws we have are perfectly good. In fact, the ones we had 50 years ago would have served if we had used them properly, but we haven't.

What we need for strata to survive the next 50 years is for owners, managers, developers and strata professionals to take responsibility for our own circumstances instead of turning to our creator, the state, and asking for more regulation to save us from ourselves.

The new tools for the next 50 years of the strata age are understanding, responsibility, focus, compliance, transparency, reasonableness, inclusiveness, discretion, and sustainability. We use these tools every day in our homes, our businesses and our community groups in our decision-making and they make our lives better, much better than any government could achieve with more laws.

Any form of growth is not without its challenges and there are many ahead for our strata communities as our urban skyline grows up. My new book is about raising these issues for debate as we face the second half-century of strata-titled property.

We need an urgent and informed dialogue about the way we look after our built environment and the way we relate to one another as co-owners of this property. ***M***

Michael Teys is managing director of blockstrata.com.au and has more than 30 years strata law experience.

PATIENCE PAYS

Contrarian view of volatility

Rupal J. Bhansali
Chief investment officer, international and global equities at Ariel Investments

Many investors have recently become obsessed with stability and are afraid of volatility. They may be overlooking the fact that not all volatility is risky or bad, just as not all stability is low risk or safe – and this creates a world of opportunities for contrarian investors.

Contrarian investing entails buying out of favour or misunderstood stocks on sale (but not on clearance). Often a safe staple stock prices in the stability of that business and the risk is to the downside if such a well-priced stock disappoints.

This means one can lose money if one overpays for "stability". On the other hand, a volatile sector such as technology can offer cheaper "stability" if one owns the staples of that sector – such as Microsoft, an enterprise staple that has grown earnings and dividends at a better rate than Procter & Gamble in the past five years but still trades at a significant discount to P&G.

A contrarian approach goes against conventional analysis and allows you to tap into high-quality, undervalued investment opportunities – this can help achieve both growth and income.

Consider one of our holdings, GlaxoSmithKline, a high-quality business which is deeply out of favour due to near-term earnings volatility and whose stock is on sale. It offers upside from margin improvements in its vaccines and consumer business over the next five years – while we are being paid a compelling 6% yield to be patient.

Shareholders embrace technology

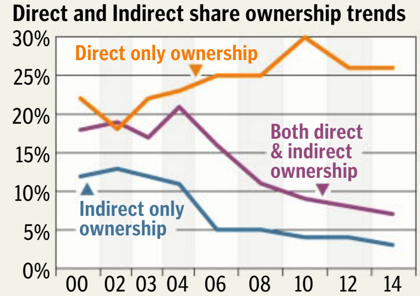
Technology appears to be responsible for a change in shareholder behaviour. The ASX's latest Australian Share Ownership Study reveals that total participation in the sharemarket by retail investors has been on the decline for 10 years. The biggest fall was in indirect share ownership, plummeting from 32% in 2004, to just 10% in 2014.

The ASX believes the change is due to shareholders' increased knowledge from the mass of financial information available on the internet. The trend indicates investors want more control of their share portfolios, opting out of managed funds to pursue their own goals.

How are direct shareholders investing? Direct share investing fell from 34% to 31%, while investing in other listed securities, such as A-REITs, ETFs, options and warrants rose slightly.

STEPH NASH

Direct and Indirect share ownership trends



SOURCE: ASX

SMSFs lose their lustre

When it comes to superannuation, it appears that we're no longer as keen as we were to take the reins ourselves.

The *2015 Self-Managed Super Fund Report*, released by both Investment Trends and Vanguard, shows the growth in numbers of SMSFs has slowed over the past three years. The tax office reports 551,000 SMSFs were in operation, as of March this year. The rate of SMSF establishment now is about 25,000 funds a year, which is down by 8000 funds on 2012-13.

It is the lowest growth rate since 2008, and the report suggests it is due to perceived better super fund performance and lower expectations for investment returns.

SuperRatings released its data on the top-performing super funds for 2015 in early August. Despite taking a slight downturn in June, the managed super funds produced a solid average 9.7% return for the year. International shares options were rated the best-performing super funds, returning 19.2% for the year to June 2015. SN

INSIDE INVESTING THIS MONTH

The books give you direction

Savvy investors check cash flows and balance sheets, writes Ross Greenwood

THIS IS THE BEST time of year for sharemarket investors. It should also be the busiest. For right now, investors have the timeliest information they are likely so see from any public company for the next 12 months. An annual report might be a reflection of the year just past – and what you really want is a view of the future – but it does give a real-time look at the drivers of any business: whether it can last, or better, whether it can prosper.

With an annual report, some like to start with the chairman's statement, or the chief executive's, to get their versions of the future. I like to dive straight in and begin at the cash flow statement: the only statement in the whole annual report that is difficult to spin or misinterpret. Money in, money out.

The two companies I want to concentrate on are in the resources sector. I have chosen them because I suspect the big falls in coal, iron ore, oil and gold will eventually be overdone in a world whose population is growing and where even more wealth is emerging in Asia.

I stress here that I have chosen the companies for their relative simplicity, not because I think they are good buys (or sells for that matter). Follow the process and you might make your own judgment. But the process of reading the accounts and assessing the company – now and in the future – is something too few investors do.

The first example is Whitehaven Coal, which has operations in NSW's Gunnedah Basin. It also has a major project, Maules Creek, part of which is still under construction but which has just started producing. The approval of the Maules Creek mine project has been the subject of much publicity, especially in NSW.

The price of Whitehaven has fallen from about $7 to just more than $1 a share in five years. Such is the decline in coal prices and the sensitivity of the company to them.

In the past year, the cash flow statement tells us Whitehaven had $213 million worth of cash flow from operations. But as it was constructing Maules Creek, it had to draw down an extra $250 million worth of debt. Total debt is $935 million, and it has an unused debt facility of about $300 million.

The gearing ratio (debt to shareholder equity) is a relatively modest 24.6%, up from 17.6% last year which is comfortable for companies with strong cash flow.

So what a shareholder needs to know – the factors that are vital to Whitehaven's health – are: 1) can management get the Maules Creek mine operating to capacity and its cash flow positive as soon as possible; 2) coal prices (it produces both thermal and metallurgical coal); 3) the Australian dollar, because it exports large amounts of coal 4) the production of coal from its mines; and 5) the certainty of credit facilities from its lenders.

The company says Aussie dollar coal prices fell to $80 a tonne in 2014-15 from $86 the previous year. $US-denominated coal prices fell 16% but the falling $A offset this with an 8% lift. If you follow this company, you need to watch the coal price and exchange rates.

If Whitehaven can deliver its project on budget and get production moving quickly, it can boost its profits and repay debt. But if the coal price falls, or if there are troubles ... watch out.

The other company I want to use as an example is Northern Star Resources, the second-largest goldminer in Australia. It was started in 2003 and created its business by buying assets from major miners Barrick and Newmont. It is valued by the stockmarket at $1.2 billion, and has no debt. In fact it has $178 million worth of cash and cash equivalents (gold). It has underlying free cash flow of $183 million a year.

Last financial year it sold 580,784 ounces of gold worth an average $1065 an ounce, well within its guidance. The cash flow statement says it all. Northern commits cash flow to acquiring more gold production and – if the $A price is right – the business can continue to produce more gold, dividends and production.

Both balance sheets and cash flow statements are worth a read, even if you never buy its shares. It is the understanding of the dynamics of businesses that allows you to appreciate risk and value – which most investors going off broker recommendations never understand.

Ross Greenwood is Channel 9's finance editor and Radio 2GB's Money News *host.*

End of the road

There can be good reasons for winding up your fund, writes Vita Palestrant

WHEN HE WAS DIAGNOSED with a serious illness at 71, Dave[1], a retired lawyer, turned his attention to his two-member self-managed super fund. A savvy investor, he had regularly beaten the returns of big funds. But he and his wife wanted to travel more and his wife wasn't up to running the SMSF, so they rolled it over into a large, low-cost industry fund.

There are many reasons people wind up SMSFs: they may find DIY, with all its compliance and complexity too demanding. "The main reasons people wind up the fund are due to the failing health of one of the members, particularly in a one- or two-member fund," says Graeme Colley, the director of technical and professional standards at the SMSF Association. "The other reasons are the fund's assets have been drawn on so it's not viable cost-wise to run the SMSF any more."

Once the account balance in pension phase has been run down, paying $2000 to $2500 in annual fees hardly makes sense. At this point there is often the dilemma of whether to roll it over to a low-cost super fund or keep it outside super (see below).

Max Newnham, a specialist SMSF adviser and founder of smsfsurvivalcentre.com.au, says you need to think twice before taking money out of the super environment as it could come back to haunt you.

"Once you are 65 and not working, it is a very important decision to take your money out of the super environment because you can't get it back in, especially if you are over 75, or you are 65 to 75 and not working," he says.

"It ignores the fact that the person might be a home owner who later downsizes and ends up with a significant amount of money – and now all this money is being taxed. You have to be very careful if you do this and take advice."

Where the SMSF has considerable assets the burden can be eased. "If, for example, the couple above got advice and felt confident in the person giving the advice and the investments of the fund were put into simpler, more easy-to-manage investments with less to worry about, that could be an option."

He says people like to have an SMSF in pension phase because they don't have to deal with bureaucracy to access money.

KEY STEPS

Before you wind up your SMSF, get professional advice to make sure you haven't overlooked potential downsides.

If it's clear you should proceed:

- Check the trust deed for wind-up instructions. All trustees or directors should agree about winding up the fund and document their decision.
- You will need to pay out or roll over the balance of members' super to another fund, which may involve selling assets.
- A final audit must be completed before you lodge the last SMSF annual return.
- Remember to indicate the fund is being wound up.
- You need to pay any outstanding tax and other debts before you close your fund's bank account.

See ato.gov.au/super/self-managed-super-funds/winding-up

[1]*Not his real name.*

Vita Palestrant was editor of the Money section of The Sydney Morning Herald *and* The Age. *She has worked on major newspapers overseas.*

Enjoy tax-free income outside super

So how much tax-free income can a couple have if they wind up their SMSF and invest in their own names? Graeme Colley gives the example of George, 70, and Penny, 67.

They each have access to the tax-free low-rate threshold of $18,200 a year and they can also access the seniors and pensioners tax offset if their adjusted income is under the threshold. That means they can have a taxable income of up to $28,974 each ($57,948 combined) without having to pay tax. (The benefit of the seniors and pensioners offset cuts out at a combined taxable income of $83,580.)

If the return on their investment is 3% a year, they could have up to $1 million in investments before either of them starts to pay tax.

At higher rates of return, the amounts they can invest to receive income just under the threshold are $461,129, for a 7% return, and $645,580 for a 5% rate of return.

Colley advises anyone contemplating such a move to take professional advice first. "Maybe a combination of a tax-free pension from super and investments in their own name will do the trick, especially where interest rates and dividends may increase and they could end up exceeding the tax-free thresholds for seniors and pensioners."

CHRISTOPHER NIELSEN

Property is a drag

Cash flow is king for retirees and property is far less reliable than shares, writes Sam Henderson

MANY BELIEVE THAT IF they buy investment property they'll get rich and be able to retire early. That's about as unrealistic as thinking you can start a business and end up like Richard Branson. Grant it, both scenarios are possible – and who am I to rain on your financial parade? But they both require diligent and clearly constructed planning to avoid the pitfalls.

● 2 MILLION AUSSIES OWN AN INVESTMENT PROPERTY

Investment in property has unique attributes. For example, you can borrow someone else's money, usually a bank's (at record low rates right now), to buy one and someone helps you pay it off (the tenant). Plus our generous government gives a tax break based on the difference between the interest costs and other expenses and the rental income. It sounds too good to be true – and it may be.

● PROPERTY VALUES GROW UNEVENLY

Russell Investments' *Long-term Investing Report* says total returns from residential property (capital gains plus rental income) are about 7%pa over a 10- or 20-year period. I should point out those returns never occur in a linear fashion – expect peaks and troughs. So, too, those returns will not occur in every suburb or across the country. For example, the median house price in Sydney has risen 40% in the past two years, yet in south-east Queensland, including the Gold and Sunshine coasts, prices are only just starting to see action. And Sydney prices were stagnant for five years after the GFC.

● INCOME VICTIMS

The flat years make people cynical about property and the costs of holding a property in those years can really weigh on an investor. This is particularly the case in retirement, as income is so important to fund lifestyle then. Expenses that eat into your cash flow include strata fees, land tax, property maintenance, agents' fees, tenant vacancies, utility costs, rates and repairs.

● IS 2%PA INCOME ENOUGH?

These expenses can significantly lower your standard of living – I've seen it happen. Expect an income return from your investment property of about 2% after costs. Your situation gets even worse if your property can't be sold or can be sold only at a substantial loss. Remember, for you in retirement, "cash is king" and that includes cash flow.

● DON'T RISK SWIMMING NAKED

It's for these reasons that unless a client has significant and substantially diversified assets, I'm not a big fan of owning investment property in retirement. It's all happy days in the midst of a boom but booms eventually go bust and, as Warren Buffet once said: "A rising tide lifts all boats but it's not until the tide goes out that we realise who's swimming naked." Don't get caught swimming naked in retirement!

● BUT 6 MILLION OWN SHARES THAT EARN 5%PA INCOME

The average income return across the sharemarket as I write is about 4.7%pa, or a bit over 5% if franking credits are included. This is about double the pitiful income you'll glean from term deposits at the moment, albeit with more volatility. The key advantage of shares over property is that the expenses of managing a share portfolio are lower.

● GET THE MIX RIGHT

I'm not suggesting you put all your money into shares but I see superannuants getting it wrong more often with property, expecting bigger capital returns and forgetting that they have to live on the cash flow from their investment. That said, it's paramount to get the balance right between a diversified portfolio of shares (and not just the banks and Woolworths) and cash or fixed interest to maximise your income and for the portfolio to have an appropriate risk profile. Most of my clients have about 30%-40% of their portfolio in shares and most of those shares pay high-dividend income.

● FRANKING CAN ADD 1% TO YOUR INCOME

The income from shares will often include franking credits, where 30% company tax has been paid on the profits out of which the dividends are paid. If you are in pension mode, you will receive this "franking credit" back from the tax office directly if you have a self-managed fund, or else your corporate, industry or retail super fund will get it back for you. The franking credits can increase your income by about 1%, or more.

● YOUR CASH FLOW WILL BE BOOSTED BY 2%-PLUS

If the average fee in a super fund is 1% then you'll be better off by around 2%-2.5% with shares, including the benefits of franking credits. If you can put your preconceptions about sharemarket volatility behind you, there's better cash flow to be had in shares than property. I'd further urge you to purchase additional shares when sharemarkets are under pressure and to pick up a few extra additional percentage points on your capital investment.

Sam Henderson is CEO and senior financial adviser at Henderson Maxwell and hosts Foxtel's Sky News business program, Your Money Your Call – Retirement. *He is the author of three best-selling books.*

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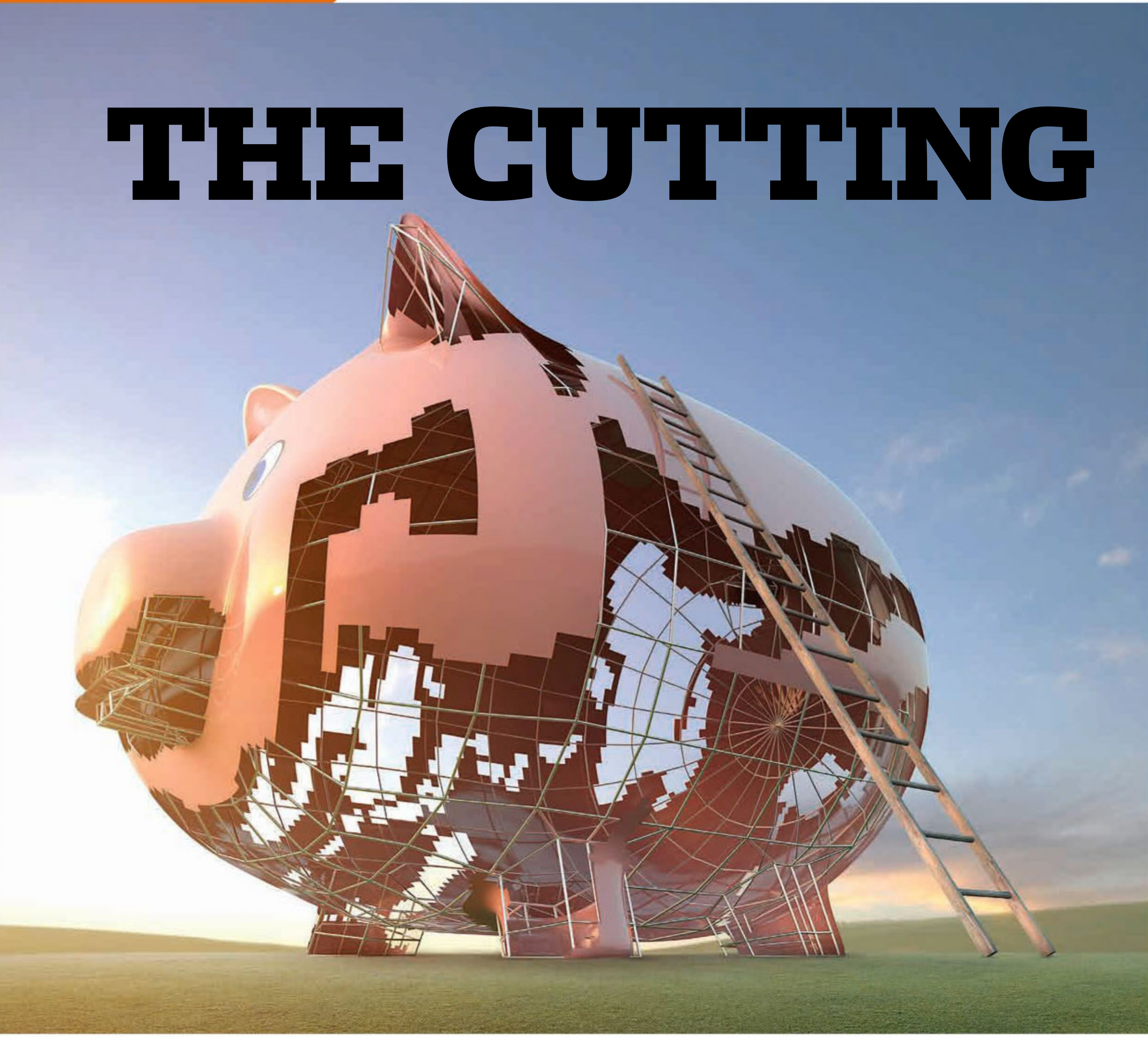
THE CUTTING



WHATEVER WAY YOU look at salary sacrificing, if you earn more than $37,000 it makes great sense. The big advantage is that you get money that would otherwise be taken from you by the tax office.

Salary sacrificing is when you forgo some salary to add to super on top of the 9.5% superannuation guarantee (SG) amount your employer contributes. It can kick-start your savings.

"The SG of 9.5% is not sufficient and not going to fund a retirement," says Craig Day, the executive manager of technical services at Colonial First State. Personal savings on top of the mandated SG is critical to your security in retirement because most of us do not have adequate savings to fund it. The average super balance at retirement is $197,000 for men and $105,000 for women, reports the Association of Superannuation Funds of Australia (ASFA).

A large number of retirees will need to substantially rely on the age pension but there have been recent changes to eligibility. The assets test threshold has been raised and 326,000 people have either lost the age pension altogether or receive a smaller amount.

Superannuation is the most tax-effective way to save for retirement, says Day. It enjoys a number of tax concessions starting with a low 15% tax on super contributions. Investment earnings are taxed at 15% and there is no tax on the pension income if you are aged over 60.

With salary sacrificing, you put part of your pre-tax salary into your super fund. It

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EDGE

STORY SUSAN HELY

Salary sacrificing is a no-brainer and will pay enormous dividends later in life

is taxed at 15% and this can be a huge saving, particularly if you are in a higher tax bracket. But the trade-off is that you lock your money away until retirement and cannot access it until you have reached your preservation age. "Giving it up now means additional income in retirement," Day says.

An automatic payment plan is the best way to save because the money is taken from your salary before you even see it.

This is how it works: Lisa who is on a 37% tax rate is paying $370 tax on $1000. If Lisa salary sacrifices the $1000 into her super fund, she will pay only 15% tax, or $150, because super contributions are taxed at 15%. So she gets an extra $220 in her fund. "The difference is being invested in retirement savings rather than going to the ATO," Day says.

And the money you salary sacrifice can reduce your marginal tax rate and save you extra money. Ali, earns $90,000 before tax, excluding her employer's super contribution. The tax rate rises from 32.5¢ in every dollar at $80,000 to 37¢ in the dollar at $80,001.

If Ali directs $10,000 of her pay before tax into salary sacrifice super contributions, she slips down into the 32.5% tax bracket and will save $2400 in tax, with the extra money going into her super fund.

HOW IT WORKS

	ALI DOES NOTHING	ALI SALARY SACRIFICES $10,000
Take-home pay	$66,953	$60,853
Tax	$23,047	$19,147
Extra money in super	none	$8500
Net benefit	$66,953	$69,353
Better off by		$2400

Estimates based on 2015-16 income tax rates and a 2% Medicare levy.

Start early

The earlier you start putting extra money aside through salary sacrificing, the more you will have in super because the power of compounding is that you earn money on what your savings earn and the longer this occurs, the more you earn. Day gives an example that compares how much 28-year-old James has to salary sacrifice compared with 45-year-old Rob.

James earns $65,000pa and has $30,000 in superannuation and will benefit from the 9.5% SG rising to 12% in 2025. James calculates that he will have $458,000 in his super when he retires. Day says CFS recommends people need $772,000 for retirement, not including the age pension. James will have a shortfall of $314,000. To build up his retirement savings, Day says he must contribute another $5777 a year by salary sacrificing.

Rob earns $80,000pa and has $125,000 in super. If he stays with his SG he will have $417,000 and a gap of $355,000. And, because he is 18 years older and will miss 18 years of compounding, he will have to find $14,550pa to catch up – triple the savings James needs.

"This gives us an idea of the impact of putting off contributing to superannuation. Most 45-year-olds can't afford to contribute $14,550 a year," says Day. "Rob will have to work longer or live on less or sell the family home to extract more money. This can mean moving away from family and can be a real burden on the family. But it often only dawns on them late in life."

In these two examples, both men worked continuously throughout their lives up until retirement at age 67. But people who have extended periods out of the workforce contribute less to superannuation.

And families have a lot of financial pressures, with record high housing prices in some locations and high living costs. Often people think they will wait until the mortgage is paid off and the children are through school before they start salary sacrificing. The strategy is very common among the self- employed and for women. But women tend not to catch up and have current super balances averaging $44,866, compared with $82,615 for men.

How much must you sacrifice?

One way to work out how much to put aside is to look at how much you want in retirement. What are your expectations? There are plenty of calculators (moneysmart.gov.au from financial regulator ASIC or superguru.com.au from ASFA, for example) that will estimate for different levels of income in retirement. Calculators ask you how much you have already saved, your salary and when you want to retire.

"Most people will discover there is a shortfall," says Day. "Then they must look at the different levers they can pull, such as working longer, downsizing, or salary sacrificing."

How to make it happen

Salary sacrificing is when you ask your employer to redirect a portion of your pay as a contribution to super. It is best to enter into a formal agreement with your employer and include the details in your terms of employment. This ensures your employer calculates its 9.5% super guarantee contribution on your original salary.

Most payroll systems are built to contribute to any super fund, including self-managed super funds. However not all employers will allow you to salary sacrifice.

Contribution caps

To limit the tax concessions on superannuation, you are restricted by a maximum allowed on contributions. You can contribute up to $30,000 if you are younger than 49 and $35,000 if you older than 49. This total includes your employer's 9.5% superannuation guarantee payment. If you go over the contribution cap

He could be **underpaid his SG for many years** and be thousands of dollars short in his super

the extra is taxed at your marginal rate. (The rate used to be much higher.)

You can also put $180,000 a year as a non-concessional, after-tax contribution for three years, taking your total non-concessional amount to $540,000. You can contribute this at any age.

Is salary sacrifice right for you?

The answer depends on your individual circumstances. Salary sacrifice contributions do not count towards a government co-contribution, so if you are a low income earner, earning less than $50,454 for the 2014-15 financial year, after-tax contributions may give you a better outcome.

If you contribute $1000 you can be eligible for $500 from the government if you earn less than $35,454, the lowest threshold. This is an instant 50% return on your money, although you would have paid 19% tax on your $1000. The co-contribution reduces pro rata and cuts out at $50,454 worth of earnings.

If you are a high-income earner, on more than $300,000 – which puts you in the top 2% for income – you will pay 30% tax on any salary sacrificed amounts.

If you are 56-plus

You can salary sacrifice extra into your super as part of a transition to retirement income stream (TTRIS) that allows anyone aged over their preservation age of 56 (up from 55) to draw down on their superannuation in the form of a pension.

A 15% tax is paid on the pension. You can contribute up to your contribution cap into the accumulation fund and draw down from the pension. Day says that he has seen people with a TTRIS saving $20,000 to $30,000 over five years, depending on their personal circumstances, such as tax rates.

He recommends you do your homework and track down some good advice before you start a TTRIS.

Traps for the unwary

One of the common mistakes when salary sacrificing is that the employer miscalculates your income and reduces the amount of compulsory super, known as the superannuation guarantee.

Barry, for example, is earning $100,000 before tax and asks his employer to deduct $10,000

for salary sacrificing. The employer then views Barry's assessable income at $90,000, not $100,000, and calculates Barry's 9.5% SG, on that $90,000, or $8550, which the employer remits to Barry's super fund.

But this is an incorrect calculation and the SG Barry should get is 9.5% of $100,000, or $9500, $950 more.

Unless Barry checks with his employer, he could be underpaid his SG for many years and this could cause a shortfall of many thousands of dollars in his superannuation savings.

"Double-check with your employer that the SG is based on the total amount before the salary sacrificed amount," says Day.

This slip-up partly occurs because of the different way a salary package is presented. Some employers give a total amount of salary that includes superannuation; others quote an amount of salary that excludes super so that it is a separate amount.

Check the impact of insurance

Insurance payments from your superannuation can eat up your precious retirement savings. If you have both income protection insurance and total and permanent disability insurance, then you could be out of pocket by $500 to $1000 a year. Insurance costs are dearer as you grow older.

You need to calculate your contributions to super minus your insurance payments when you do your sums about how much you will have in your superannuation for retirement. Otherwise your estimate of your super savings will be inflated.

Bonuses

While you are not permitted to salary sacrifice accrued annual leave or long service leave, you can salary sacrifice your bonus entitlements. The catch is that you must come to an arrangement with your employer before you are paid a bonus, not after.

So you must tell your employer that you will salary sacrifice part or all of your bonus (up to the contributions cap) before you have been notified about the amount of the bonus. But if you want to salary sacrifice your bonus after you have been told it, you can make it a non-concessional contribution and have it taken out of your after-tax salary. *M*

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STORY PAM WALKLEY

Offshore treasure quest

Choose how you want to benefit from fast-growing China and India and rebounding Japan in this first article of our three-part series on investing overseas

DO YOU WANT TO INVEST in China's conversion to a consumer economy, India's massive potential or Japan's economic recovery? The easiest ways of gaining access to single-country markets are through either a country-specific exchange-traded fund (ETF) or managed fund.

Single-country investing is not new for Australians; traditionally we have poured most of our investment dollars into our local sharemarket, even though it accounts for about only 3% of the world's bourses. But this is changing, partly because investors are better educated about the need for diversity and partly because the rise and rise of ETFs has made offshore investing so much easier.

If you prefer emerging markets, such as India and China, don't get carried away with your allocation. Investment research house Lonsec says a 10%-20% allocation to emerging markets from your overall global equities market share may be appropriate. And if you invest in India and China, you will need to have a stomach for higher volatility, says Alva Devoy, Fidelity's Sydney-based investment director. "It's a whole different realm, you have to take a three- to five-year view and not panic and sell if prices fall."

India

At least 70% of North American investors see India as the most attractive market to invest in among the BRIC (Brazil, Russia, India and China) nations reports a survey by JPMorgan. The remaining 30% ranked India second to China. Based on responses from 30 investment professionals at some of the largest North American fund houses, the survey was made from December 2014 to January 2015.

"The prospects of long-term economic growth, favourable demographics, BJP's [the ruling party's] reform agenda, numerous investment opportunities and a democratic legal system have been cited as the most attractive for investing in India," Vikas Taimni, JPMorgan's emerging markets head, said in the report.

Deterrents included India's restrictive policies for foreign investors and the belief that corruption permeates its corporate, political, regulatory and social spheres.

Share in the action

Australian investors can access Indian equities through the Fiducian India Fund, with a minimum of $50,000 (management fee 1.54%) and the Fidelity India Fund, with a minimum of $25,000 (management fee 1.2%). But for the Fiducian fund, its PDS says retail investments must be via an investor-directed portfolio service (IDPS), an investment and reporting service operated by a master trust or a wrap service; this may add an extra layer of administration fees.

Both have performed well, consistently beating the MSCI India Index. Fidelity returned 39.48% (index 26.81%) for the year to June 30, 28.56%pa (23.24%pa) for three years and 10.22%pa (8.98%pa) since inception in September 2005. Fiducian returned 41.03% for the year to June 30, 35.76%pa for three years and 11.68%pa for five years.

India was a very strong performer in 2014 with the election of the BJP, leading to expectations of positive change says Devoy. "This year the market has been volatile with the impact of political change not yet filtering through. But for retail investors, this is when they want to be buying, after a downturn and when the heat has come out of the market."

Fidelity is very positive on India in the long term, Devoy says. The fund's objective is to achieve returns 3% above its benchmark over a rolling five-year period. It has "recommended" ratings from both Lonsec and Zenith. Lonsec says its main strength is its strong local knowledge through the on-the-ground presence of the portfolio adviser, who is highly experienced, and a large research team.

There are to date no Australian-listed ETFs that invest in India only. James Langlands, BlackRock's head of client advisory, says its iShares division is likely to launch an Indian ETF on the Australian market at some stage. In the meantime you can get exposure through the iShares MSCI BRIC ETF (IBK) which has 18% of its portfolio in Indian shares. It returned 21.62% for the year to June 30 and 14.38%pa over three years. And you can also invest in the US-based iShares MSCI India ETF (INDA) if your broker enables direct offshore investing.

An attempt to get India Fund Limited off the ground as a listed investment company failed when it withdrew its initial public offering (IPO) in June, saying there was little likelihood it would raise the minimum subscription.

Japan

After years of lacklustre returns and unpopularity, Japan's stockmarket has risen more than 36% in the past year and still has room to run, experts say. Japan still represents a good buying opportunity, Langlands says. "It has attractive relative values, a relatively weak currency and we expect more government stimulus. We like Japanese financials and exporters." Another positive is that Japan's public pension fund, with more than $US1 trillion ($1.36 trillion) in assets, adopted a more aggressive investment strategy last year, moving from government bonds and into foreign and domestic shares, which helped boost the Nikkei stock index.

Share in the action

Platinum and BT have Japan managed funds and iShares has the MSCI Japan (AU) ETF (IJP).

The Platinum Japan Fund has produced returns of 15.71%pa to June 30 since inception in June 1998, compared with 2.14%pa for the MSCI Japan Index. In the year to June, it returned 41.05% (33.01%) and 37.56%pa (24.74%pa) over three years. Minimum investment is $20,000 and the management expense ratio (MER) is 1.54%. Retail investors can access BT Japanese Share Fund with a minimum of $5000. It has returned 30.92% in the year to June 30, 23.07%pa over three years and 10.65%pa over five years. It charges a management fee of 1.54%.

Investors who prefer listed funds and lower fees can buy the iShares MSCI Japan ETF with as little as $500. It has returned 31.85% in the year to June and 23.91%pa over three years. It has an MER of 0.48%.

China

Chinese shares have hit the headlines due to the incredible volatility of the Shanghai Composite Index, which fell 14% in July. But those keen to invest in the world's biggest economy need to keep two things in mind. First, before its June turning point, the Shanghai Composite had surged more than 150% in the prior 12 months. Second, as a foreign investor into China, most of your money will not be in this index, but in the Hang Seng Index, which measures the Hong Kong exchange.

Where to now for Chinese shares is open to debate. Some analysts suggest it's a good time to buy: "Even if the GDP falls to 6% to 7% it's still very attractive," Devoy says. But others are nervous. Langlands says he is wary of A-shares due to their volatility. And others have criticised the haphazard way China's government has intervened in the market.

Shanghai Composite v Hang Seng

SOURCE: BLOOMBERG

Share in the action

There are two open managed funds investing in China, Fidelity China and Premium China and one ETF, the iShares China Large-Cap (IZZ).

Both have an allocation to China A-shares and see that as a positive. Devoy says if you look at companies listed on both markets, A-shares – largely traded by domestic investors – have historically traded at a premium to H-shares (companies incorporated in mainland China but listed in Hong Kong or elsewhere). This is because onshore investors attribute higher values to these companies than international investors trading on the Hong Kong exchange.

Indeed in its research report on the Fidelity China Fund, Lonsec lists one of its strengths as being its access to the growing A-share market (9% of the fund as at March 2015) plus its considerable research capabilities and the portfolio manager's solid experience. It gave the fund a "recommended" rating.

Investors need $25,000 to access the Fidelity Fund, which returned 70.79% in the year to June 30 (benchmark MSCI China Index 53.03%), 31.39%pa over three years (26.44%pa) and 16.88%pa (12.75%pa) since inception in September 2005. The MER is 1.2%.

Premium China Fund also requires a minimum investment of $25,000. It has a 16% allocation to A-shares and charges a total fee of 2.3%. In the year to June, it returned 57.48%, 28.39%pa for three years and 11.31%pa for five years.

For investors who want exposure to large-cap Chinese shares trading on Hong Kong's exchange, iShares China Fund should fit the bill. It tracks the FTSE China 50 Index and has returned 54.72% (index 28.6%) in the year to June and 25.43%pa (15.6%pa) over three years.

And if you want to invest in just A-shares, Market Vectors ChinaAMC A-Share ETF (Synthetic) aims to replicate the price and yield performance of the CSI 300 Index, which is comprised of the 300 largest and most liquid stocks in China's A-share market.

It listed on the Australian Securities Exchange in late June but has listed in New York since late 2010 and has returned 34.26%pa for the three years to July 2015, 102.15% for the year to July and -14.03% for the three months to July. Its MER is 0.72%. **M**

Next month Money *will look at investing in the USA, followed by Europe/UK in November.*

Need help?

Useful numbers and websites

Australian Communications & Media Authority
1300 850 115
www.acma.gov.au

Australian Competition and Consumer Commission
1300 302 502
www.accc.gov.au

Australian Securities and Investments Commission (ASIC)
Local call: 1300 300 630
www.asic.gov.au

Australian Securities Exchange
131 279
www.asx.com.au

ASFA
1800 812 798 (outside Sydney)
9264 9300 (Sydney)
www.superannuation.asn.au

CPA Australia
Listing of accountants
1300 737 373
www.cpaaustralia.com.au

Credit & Insurance Ombudsman Service
Financial complaints
1800 138 422
www.cio.org.au

Do Not Call Register
If you want to reduce telemarketing calls
1300 792 958
www.donotcall.gov.au

D&B
For a copy of your credit report
1300 734 806
www.dnb.com.au

Fair trading/consumer affairs
ACT (02) 6207 3000
NSW 133 220
NT 1800 019 319
QLD 137 468
SA 131 882
TAS 1300 654 499
VIC 1300 558 181
WA 1300 304 054

Financial Counsellors
1800 007 007
www.financialcounsellingaustralia.org.au

Financial Ombudsman Service
Financial disputes
free call: 1300 780 808
www.fos.org.au

Financial Planning Association
Listing of financial advisers
Call: 1300 626 393
www.fpa.asn.au

Human Services
Formerly Centrelink
Families: 136 150
Pension advice: 132 300
www.humanservices.gov.au

Legal Aid advice (free)
ACT 1300 654 314
NT 1800 019 343
NSW 1300 888 529
QLD 1300 651 188
SA 1300 366 424
TAS 1300 366 611
VIC 1300 792 387
WA 1300 650 579

My Credit File
For a copy of your credit report
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ACT 02 6282 3777
WA 08 6551 8800
SA 1800 819 961
NT 1800 441 489
NSW 137 788
TAS 1300 135 513
VIC 1300 797 210
QLD 137 468
www.australia.gov.au/content/seniors-card

Superannuation Complaints Tribunal
Super complaints
1300 884 114
www.sct.gov.au

Super Seeker
Track down lost super
132 865
www.ato.gov.au/superseeker

Tax Office Super infoline
Call: 131 020
www.ato.gov.au

Telecommunications Ombudsman
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SHARES

Discounts emerge

Morningstar pinpoints target companies, writes Susan Hely

The ASX is trading at its largest discount since late 2014 and is slightly undervalued, research house Morningstar's sharemarket outlook reports. It says while some sectors, such as healthcare, are expensive, there are pockets of value. David Ellis, the head of financial companies at Morningstar, likes that sector's stocks trading below long-term valuations, including Goodman Group, National Australia Bank, Platinum Asset Management, Veda Group and Westfield Corporation.

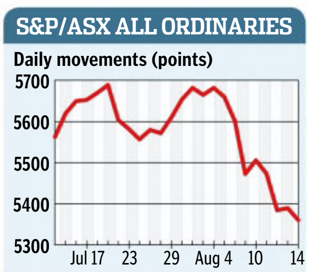
The resources sector is undervalued and trading at a 4% discount to fair value, says Matthew Hodge, head of resources at Morningstar. The main value is in large mining companies such as BHP Billiton and Alumina.

In the consumer sector, Morningstar's Daniel Mueller, head of consumer, likes Ainsworth Game Technology, Crown Resorts, Woolworths and Virtus Health.

While property stocks are under pressure, Morningstar likes those with quality assets in desirable locations such as Westfield Corporation and the Goodman Group.

Morningstar says regulated utilities are underperforming their unregulated peers as regulated returns are progressively cut to factor in low borrowing costs and low investor return requirements. The favoured utility company is APA Group.

Investors have few options and end up with Australian shares because they offer several qualities, including yield, growth and an inflation hedge, says Peter Warnes, Morningstar's head of Australasia equity research.



SOURCE: BLOOMBERG

Growth potential hard to find

Capital growth is hard to come by in the Australian sharemarket and investing is a long, slow grind, says Don Williams, the chief investment officer at Platypus Asset Management.

"The growth pulse is not strong enough for the sharemarket to lift off again," he says. Dividends will continue to underpin investor returns and, of the 6.9% return by the S&P/ASX 300, 80% was from dividends.

Williams says weeding out companies with earnings risk, focusing on quality and being underweight in sectors with a poor macroeconomic environment are key to outperforming the market.

His picks for the year ahead include commodity stocks – but not those with exposure to iron ore – higher-quality franchises and offshore earners that will benefit from a lower $A.

He recommends being selective about floats, saying that Platypus invests in only about 10% of offerings. SH

Nikkei returns to favour

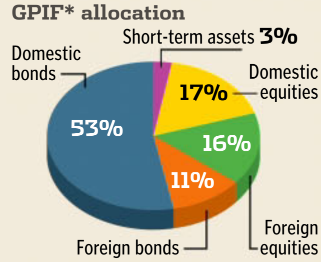
The Japanese equity market is back in favour after years in the investment wilderness. It is the favourite sharemarket for some global funds, including BlackRock's Global Allocation Fund.

Matthew Estes, the fund's strategist, says Japanese equities valuations are compelling, particularly when compared with US values. About 42% of Japan's stocks trade below book value compared with 8% in Australia.

Bank of Japan's central balance sheet is 65% of gross domestic product, compared with the US Federal Reserve's 20%. Estes is excited about the proposed 25% allocation to Japanese equities by pension funds, up from 17%. SH

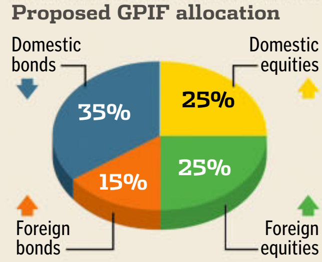
Pension plan reallocations to equities

GPIF* allocation



As of June 2014

Proposed GPIF allocation



* Government Pension Investment Fund

SOURCE: BLACKROCK

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Cost focus implies less revenue

The soft job market is just one aspect of the nation's economic big picture, writes Craig James

ANY GOOD BUSINESS KNOWS that you can't keep your steely gaze just on costs, nor can you focus solely on revenues. That may seem intuitively obvious, but it never ceases to surprise how sometimes that balance gets out of kilter.

Importantly, this operational imbalance is not just the preserve of small companies, nor their larger cousins. And one aspect of the economy that has particular importance for both costs and revenues is the state of the job market.

Clearly the cost, availability and efficiency of workers are fundamentally important. But more generally the confidence that people have in securing or retaining jobs and changes in their compensation levels are both fundamentally important on the revenue side of the equation.

Many probably think that getting a handle on the state of the job market is one of the less challenging exercises in monitoring the economy: simply look at the jobless rate and that should provide an approximation of the state of play. Right?

Well, in the past that may have been the case. But as central bankers are now acknowledging, it may not be as simple as that. In the US, the jobless rate has fallen to 5.3% – a rate below the "decade average" or normal level, and a rate that in the past may have signalled the potential for wage and price pressures to develop.

But the US Federal Reserve hasn't reacted in a knee-jerk fashion by lifting interest rates. Rather it has expressed caution, noting there may still be slack in the system. And indeed this is backed up by figures showing that wages are still modest and inflation remains below target levels.

A key factor in this reappraisal of job market tightness is the increased flexibility of businesses in structuring their workforce and in structuring remuneration. The focus is on getting tasks done most efficiently and at the lowest cost. And this may involve a mix of full- and part-time staff and casuals, hiring on a project basis and even offshoring some work.

Certainly here, businesses of all description access foreign markets for key operational aspects. An engineering or manufacturing business may get pre-fabricated components made overseas or an accountant may outsource, locally or offshore, administration or book-keeping.

So it is not just unemployment rates that are monitored to assess the tightness of the job market but also underemployment and under-utilisation rates, hours-worked data and pay rates. They all serve roles in the analysis and, as always, they need to be monitored not just across the economy, but across industries and regions. Frankly it's amazing how labour market conditions can vary by moving from region to region.

And as the Reserve Bank has noted in Australia, the slowdown in population growth from migration has important consequences. The RBA now believes that unemployment may remain steady in coming months – and not rise as previously expected. But that also has consequences for the rate of growth of consumer spending and the economy as a whole.

And while many businesses may be pleased that the soft job market is keeping wage costs down, the other side of the equation is that job insecurity and weak real wage gains are causing people to scrutinise spending plans more carefully.

Restrained growth of wages may be positive in restraining costs, but the ongoing challenge is to get people to part with their money. Clearly the situation requires plenty of thought. But as a recent speech by Reserve Bank governor Glenn Stevens showed, businesses are certainly not alone in trying to make sense of changes in the job market.

Overall, though, businesses are probably right to assume that the soft job market is going to exist for some time yet. But that means ongoing challenges to secure a share of the consumer wallet.

Craig James is chief economist at CommSec.

STORY GREG HOFFMAN

Leading hedge

For those building a house deposit, bank shares have favourable links to house prices

OWNING A HOME IS the most common financial goal I hear from people. It's a sensible aim but also one that many young people feel is slipping from their reach, as prices in many major capitals continue to rise. The "fear of missing out" is almost palpable.

The most straightforward way of building a deposit is to sock away savings year after year. At some point, you'll hopefully have enough to afford a cliché. You know the ones, like "establishing a toehold in the market" or "getting on the property ladder".

I'm a fan of simplicity when it comes to financial strategies. If you're able to save a decent amount each year, say $10,000, then you're almost certain to pull together enough for a deposit for an entry-level property in a few years.

That certainty can make the sacrifices needed to save the money a little more palatable – strategies like living at home for a few more years or forgoing holidays.

With interest rates on bank deposits very low, this is truly a "sweat-of-your-brow" plan. Setting aside $10,000 a year for seven years with interest rates at only 3%, you'd end up with a little less than $77,000. Having put in $70,000 of that yourself, the earnings on your capital would have contributed less than 10% of your final house deposit.

Perhaps there's a better way.

Find a hedge

Ideally, you'd find an investment which performs well in the event that property prices continue to rise. It's what financial boffins call a "hedge": an investment likely to offset the risk you fear, should it come to pass. In this case, the risk is that prices rise again while you're saving, pushing your goal further away.

Interestingly, there are investments on the Australian sharemarket that seem to fit the bill. And, thankfully, those investments aren't weird, fringe companies you've never heard of. In fact, they're hiding in plain sight.

I'm talking about Commonwealth Bank (CBA) and Westpac (WBC). Almost two-thirds of the total loans made by both banks are home loans. So when the property market is strong, business is generally good for these banking giants.

Over the past five, 10 and 20 years, their share prices have kept pace with even the strong growth in capital city property prices. And they've paid better income along the way than the average property to boot.

So let's imagine that, instead of our property deposit saver squirrelling their cash away in a savings account, they instead buy $10,000 worth of bank shares each year.

In a world where property prices continue to gallop higher, let's assume CBA and Westpac could deliver annual capital gains of 5% a year (the real figure could be even higher). To that we can add the annual dividend return from these stocks.

At the moment, that latter figure is 5% for CBA and more than 5.5% for Westpac. Let's use a round 5% dividend return for simplicity, bringing our total expected return from both capital gains and income to 10%pa. Projecting this out for seven years, instead of less than $77,000, our aspiring home owner would have a deposit of almost $95,000.

But what about the other side of the equation? Let's assume the property our buyer is aiming for is priced at $500,000 today. And, under this buoyant scenario, let's imagine it rises by 7% a year. After seven years, its market price would be $803,000 in 2022.

By comparing the deposit amounts as a percentage of the projected property cost, you can see how the hedge would work. Under the plain savings account, the final deposit would be less than 10%. With the bank shares, it would be almost 12%.

It's only fair that the investor who took on the increased uncertainty of investing in shares (especially with such a concentrated portfolio) should reap substantially higher returns in a scenario where things go right.

Pessimistic scenario

Now what if property prices go the other way? Let's work it through.

Our conservative savings strategy would, of course, wind up with the same total of almost $77,000. But, anticipating the banks' share price performance under this scenario is more problematic and involves some guesswork.

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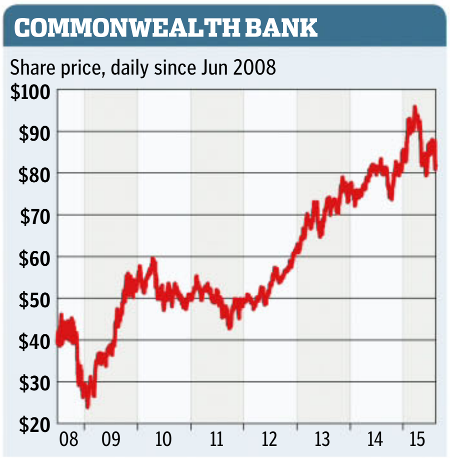
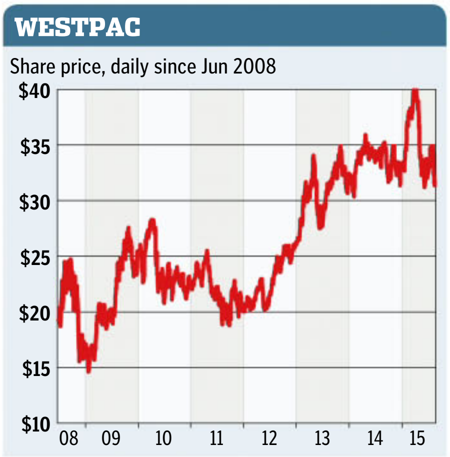




At August 14, 2015 SOURCE: BLOOMBERG

Let's assume under this scenario that the bank shares show an annual capital loss of 10%. On the positive side, this would be offset to a degree by dividend income. Yet because of the tougher economic environment, the income would likely be lower than today's 5% annual figure. So let's assume only 4% annual dividend income to offset our 10% capital loss. That gives a net overall annual loss of 6% (4% dividend income less 10% capital loss each year).

Working through these figures, the share portfolio would end up at almost $59,000. That's substantially worse than the steady savings account.

But all is not lost, because the price of our target property has also fallen.

Let's assume property prices were to "do a Japan" and fall by, say, 1%pa over the next seven years. Today's $500,000 property would then be priced at $466,000 in 2022, meaning the bank share investor would still end up with a deposit totalling almost 13% of the future property value.

Either way, under these assumptions, the bank share investor ends up being able to afford the property. That's the whole point of a financial hedge – to remove the risk of a bad eventual outcome. If you lose money on the hedge (bank shares, in this case), you should be better off in relation to the primary asset (a lower price on the property).

You can see that the savings account investor would be better off under the pessimistic scenario, but they'd struggle under the more optimistic outcome of continued strong property price growth.

Advisers unlikely to endorse it

It should be said that, despite its simplicity, this is a highly unconventional strategy.

I've never heard it suggested by anyone else and you'd probably never catch a financial adviser recommending such a concentrated investment portfolio.

But set in its proper context – as a hedge against Australian property prices for an aspiring property buyer with a fixed time frame – it becomes a more interesting alternative.

Of course, any number of in-between strategies could be implemented. An investor might buy shares in the first three or four years (to allow the maximum benefit of compound interest) and then sock away cash for the last few years of the period, for instance.

Note I have excluded National Australia Bank and ANZ Banking Group shares from this potential "portfolio". That's because their higher exposures to international markets make them less of a hedge for local property prices.

I've also ignored the impact of tax in these numbers. If you wanted to look more closely at the strategy, you should consider the tax payable on the interest for the savings account investor as well as the tax payable on dividends and capital gains for the share investor (offset, to an extent, by the positive effect of the franking credits received on the dividends).

One final benefit of this strategy is that our young saver would gain valuable investing experience along the way, compared with just piling up money in a bank account. And that might pay even bigger dividends down the track.

Greg Hoffman is an independent financial educator, commentator and investor. He is also chairman of Forager Funds Management.

REA owns the space

A competitive advantage sets it for long-term performance, writes Roger Montgomery

REALESTATE.COM.AU (ASX: REA) isn't a business that traditional value investors would love. It has a historical price-to-earnings ratio of 28, high growth hurdles, earnings seemingly linked to an unpredictable and fluctuating housing market (the list goes on) ... yet on closer inspection we believe the investment case for REA is strong and the potential for earnings growth is high.

For those unfamiliar, REA operates www.realestate.com.au where real estate agents can list the properties of their clients (the vendors). REA charges a subscription fee from the agents for access to the website as well as a fee for each property listing (depth revenues).

Prices for property listings range from a few hundred dollars for a "feature ad", to about $500-$1500 for a "highlight ad" and thousands for a "premiere ad". It's important to note that these listing costs are passed from the agents to the vendor – costs of which are marginal relative to the ticket price of their property.

Prices for listings on REA have lifted by about 20% to 50%pa over the past several years. The next pricing review is expected in February, and we asked the question: "How much further can REA raise the prices of its ads?" This is a poser, but answering it will provide a guide as to how much further the company can grow.

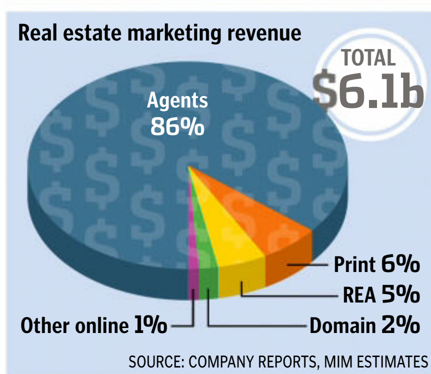
We believe the best way to answer is to consider the marketing budget of a prospective house seller. Of course there's REA, but then there's also Domain (owned by Fairfax Media (FXJ), other online listing sites, newspaper advertising and the seller is most probably using a real estate agent who'll take a commission.

We've developed a fairly good picture of what the real estate advertising "pie" in Australia looks like (right). The shares of REA, Domain, print (newspapers) and "other online" are sourced from reports while agent revenues have been estimated by taking 2% (standard commission for a real estate agent) of the total transaction volume in Australia.

Notably despite REA's prominence, it earns only 5% of all market revenues. We believe the value REA provides to housing transactions is considerably higher than that for most market segments, given it connects sellers with potential buyers.

What we mean by this is, because REA has a strong value proposition, it can (over the years) charge higher prices; it has a competitive advantage afforded to it by its "network effect", i.e. the site attracts the largest audience of homebuyers and searchers in the market (by some magnitude) and hence "leads" for agents (and drives their commissions from sales).

Thus there is an incentive for agents to continue listing properties and advertising on REA and REA's competitive advantage and ability to increase prices grows stronger, in a self-reinforcing loop.



Note that it's not always the case that value provided equals revenue earned, but it can do so when a company holds a strong competitive advantage, as in this case.

Of course, revenue equals price multiplied by volume, and all this will mean little if the number of listings on REA drops substantially. CoreLogic's July issue of the *Housing and Economic Market Update* suggests that over the past year the number of listings across the market has fallen by 3.9% Australia-wide.

Interestingly, while this trend persists, the number of paid highlight and premiere listings on REA has increased. Due to their high price, these two generate the bulk of REA's depth advertising revenues and their popularity bodes well for its bottom line.

REA's investment case is dependent on it holding its market position as the No. 1 provider of real estate advertising services. Domain is challenging this dominance with a campaign to increase its listings.

What's critical is to understand what REA's offering is. It's not just listings – it's the ability to create a lead for a real estate agent that produces a sale for the vendor.

To achieve this, the website operator must draw the largest audience and maximise the amount of time visitors spend browsing properties. REA has succeeded in doing this for a long time and (at least by our estimates) it appears they are continuing to do so despite the heightened competition.

At Montgomery we avoid forecasting the short term and focus on long-term value. As such, while its 2014-15 result may result in a higher or lower share price, we are confident that REA's long-term earnings prospects are very bright indeed.

The Montgomery Fund, The Montgomery Private Fund, The Montgomery Global Fund & The Montaka Global Fund hold positions in REA Group.

Roger Montgomery is founder and CIO at The Montgomery Fund. For his book, Value. Able, see www.rogermontgomery.com.

GETTY IMAGES

The great rate commotion

A US rate rise has had mega coverage but is nothing to fret about, writes Marcus Padley

GETTY IMAGES

FOR THE NEXT MONTH or two, one of the issues you will read about is the debate about when the US central bank will raise interest rates. It is being advertised by the media as a major inflection point (negative) for the equity markets. Let's explain that and explain it away.

The chart is of the US 10-year bond yield. Notice it is a 60-year chart. This chart represents what the financial markets – as opposed to the financial media – anticipate as the interest rate trend. It has been down since 1980. It shows the cost of money has fallen for the past 35 years, a fall that has underwritten a bull market in equities, borrowing, property and other financial markets. The legitimate concern of all markets is that this trend will finally change, that we are on the brink of a once-in-35-year event that could impinge on growth and reverse the bull run in equities, property and bonds.

So let's explain. There is no doubt, the US will raise rates but when it raises them really doesn't matter – whether it happens in September 2015 or February 2016 is irrelevant. There is no perfect moment in the monetary policy timetable for raising rates. I believe the US Federal Open Market Committee (FOMC) would have raised rates a year ago if it hadn't had to worry about financial markets' reaction. The timing of the first official US interest rate rise is not about monetary policy – it is about whether the markets can handle it.

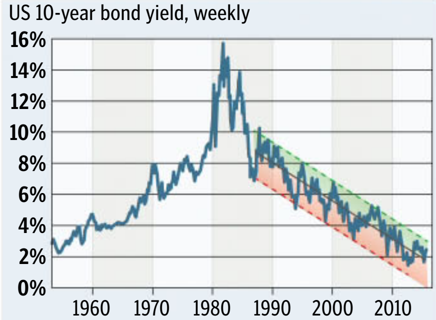
All that really matters to the US Fed is that when it raises rates, the financial markets don't fall over. The modus operandi of the Fed since the moment Janet Yellen took over from Ben Bernanke has been clear. She is focused on markets and the core mantra has been to ensure there is no repeat of the global financial crisis.

It's as if the economy comes second. Since Yellen arrived, the Fed has moved from being doves (not worried about inflation) and hawks (worried about inflation) to chickens (all of them worried about upsetting the financial markets). Yellen has at all times focused on financial market stability, not the economy. Anyone would think she had shares in Goldman Sachs and Morgan Stanley.

The priority of the Fed is simply to head off the risk of any seismic event in financial markets and it has done everything to flag the rate rise and manage financial markets' expectations to avoid that disturbance. This is rather perverse because it is well understood that the blunt instrument of interest rates has almost no impact on consumer spending and business investment plans – on the economy.

NO SHARP REVERSE

US 10-year bond yield, weekly



The interest rate rise would have to be the most telegraphed in living history. Financial markets know it is coming and, when it does, they will almost certainly do the opposite of what is logical and go up, not down.

And the next day the Fed will sip a glass of champagne and toast "a good job done" – that is, breaking the seal on interest rates without the markets getting upset.

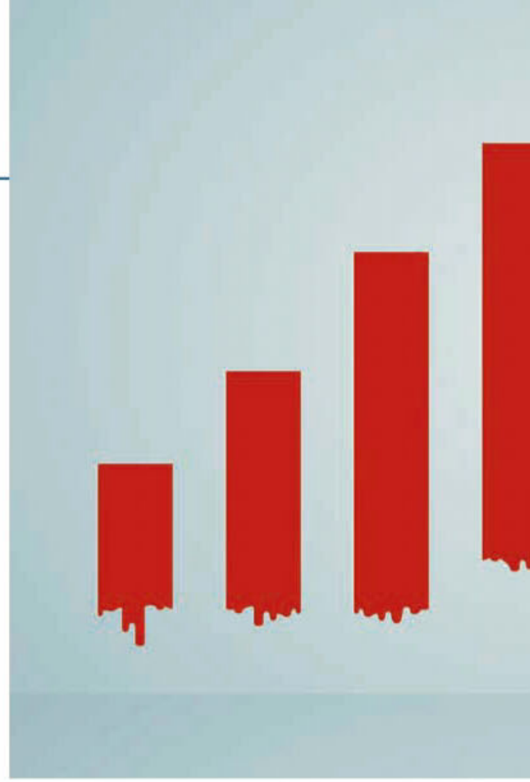
So, despite all the speculation that will occur in the next couple of months, we really shouldn't fear a US rate rise. The main reason it wants to raise rates is to "normalise" them, to provide it with the firepower to cut them again one day.

Higher interest rates are usually a tool to constrain an economy, slow down growth and cap inflation – but that is not the intention this time around. The intention is to simply, and hopefully harmlessly, allow the Fed to trot rates back to a level that doesn't constrain anything but does give it firepower to cut them again and stimulate the economy at a later date, to give the central bank some relevance again.

So I laugh at the media's attempts to generate fear about an interest rate rise by the US central bank. Instead we should welcome it, as the Fed couldn't and wouldn't raise rates unless the US economy were stable or growing.

Rate rises are a good sign. It means things are growing. And anyway, when the Fed does crack the egg and raise rates, you can guarantee the normalisation of rates will be a very gradual process. We probably won't get another rate rise for another six months or year. So relax. It's nothing to worry about.

Marcus Padley is the author of the stockmarket newsletter Marcus Today. For a free trial go to marcustoday.com.au.



STORY VANESSA GILBERT

Top of the list

Sift through the data and find companies that will build your wealth

WITH REPORTING season done and dusted – except for tiny speculative mining companies that don't make money anyway – now is a prime time to go on the hunt for top stocks to buy.

Some people will tell you that if you don't invest at the precise moment a company releases their results to the market, then you've missed the boat. That's rubbish. Sure you'll miss out on a one-day price spike, but that's not why we invest. We invest in the sharemarket to build wealth. And building wealth takes time.

In February 2015, when Domino's Pizza released its half-year results, the share price jumped from $27.23 to $33. Today Domino's is trading at more than $41. The same thing happened in August and February 2014. So you see, it's not about being the first one to jump in the boat. It will be because you're in the right boat that the value of your share portfolio will grow.

If you cleaned out your portfolio before reporting season, you'll have a wad of spare cash sitting in the bank begging to be invested. Even if you don't have cash to invest right now, learning how to find great stocks to buy is a good thing to practise. You may even want to set up a pretend portfolio to track how you'd have gone, had you actually invested your money. Paper trading is a great way to get started and feel your way around the sharemarket, without committing your hard-earned cash.

Whether they're listed on the sharemarket or privately owned, the very best companies have a few features in common. Once you know how to spot top stocks, and avoid their lesser-quality counterparts, sharemarket investing will be a breeze.

10 TRAITS OF TOP STOCKS

1. Rising earnings

If you owned a business and you didn't see your earnings rising each year, you'd be concerned. It's the same with stocks. Rising earnings ultimately lead to rising share prices. A word of caution: don't look at earnings in isolation. Check out a company's balance sheet and cash flow statement to see where the money is really coming from, and how it is being spent.

2. Profits cover dividend payout

While we all love dividends, it's critical to know how your company derives its half-yearly income. Imagine you have $10,000 cash in the bank. Your monthly salary is $5000 and monthly expenses are $6000. If you're spending $1000 more every month that what you earn, that $10,000 surplus isn't going to last very long. Stocks that pay handsome dividends are no different. That's why it's critical to know how your dividends are funded.

3. Capital raisings aren't needed

Companies raise capital to expand, pay down debt and sometimes even to pay your dividend. They can be bad for two reasons: dilution of your shareholding or irresponsible economic management. As an existing shareholder, capital raisings are not in your best interests. When capital is raised, new shares are issued, so the proportion you own falls.

Top stocks don't need to raise capital because they produce plenty of cash and can expand using their cash. The exception to this rule is a select group of companies that use new capital to add significant value to their business – and to shareholders' pockets. Domino's Pizza is one such example.

4. Debt is minimal

When mismanaged, debt can lead to disaster. Australia's banks don't like lending home owners more than 80% of a property's value. It seems the same rules don't apply to listed companies. Fortescue Metals Group is geared at 98%, Ramsay Health Care at 165% and Aveo Group and Aristocrat at more than 185%.

Debt is equivalent to capital raisings. Top stocks need neither, because they consistently produce strong earnings, rising profits and have plenty of cash in the bank.

5. Plenty of cash for interest bill

If a company does use debt, you want to make sure there is more than enough cash to cover its interest bill a few times over. Companies with substantial cash in the bank will be insulated if times get a bit tough – as in the GFC.

Skaffold's 2015 top stocks don't have this problem. Flight Centre can repay its interest bill 14 times over, Breville Group 42 times, Nick

FREE TRIAL ✪ Build our top stocks filter in Skaffold and find your own list of top stocks. Sign up for a free trial at skaffold.com/money now to gain access to Skaffold. PLUS receive a free report that shows you exactly how to build our top stocks filter. All valuations and data are provided by Skaffold Pty Ltd. Vanessa Gilbert is one of Skaffold's founders. Data is accurate at August 13, 2015 close of trade. Figures displayed are in local currencies.

GETTY IMAGES

Scali 64 times and REA Group a staggering 1698 times over. In comparison, Ramsay Health Care has only enough cash to repay its interest bill three times over.

6. Profits are rising

Rising earnings are great but if profits aren't also rising, there is something wrong. Profits represent the amount left over once a company has paid all is obligations – debtors, salaries, tax, interest and the like. At Skaffold we also ignore one-off windfalls, such as the sale of an asset, to get a realistic view of how the company is tracking.

The higher a company's return on equity, the more profitable it is. And higher profitability typically leads to rising share prices.

7. Profitability strong and rising

If you're going to take the risk of investing in the sharemarket, then you want to be rewarded for your efforts. That's why it's so important to examine a company's return on equity (ROE).

This ratio reveals how much profit a company makes on the money invested in its business (equity). When it comes to business, whether listed or privately owned, profitability is key. Really, what is the point of running a business, with all the stress and anguish, if you produce a return of only 3% or 5%? Is the effort really worth it? Top stocks generate returns on their equity in excess of 15%.

8. Cash flow exceeds profits

In business, cash is king; the more cash a business generates the better. Top stocks generate cash flow from their operations that is higher than the reported profits. With ample cash on hand, companies can pay dividends, make acquisitions and expand into international markets. They have choice, and are not limited to the daily grind with no hope of more fruitful times in sight.

Look for companies that have something left over for shareholders after they have paid all their bills. They are the ones that will produce lasting and growing value in your portfolio.

9. Value has been rising

Top stocks produce stellar economics. Outstanding economics translate into strong and rising intrinsic value. And rising intrinsic value typically produces a rising share price.

Intrinsic value is the sum total of a business's worth based on its earnings, dividends, equity and debt. How the business performs is, after all, how you as a shareholder make money. Top stocks, in addition to reporting rising earnings and profits plus strong returns on equity and cash flows, generate rising intrinsic values, year after year.

And unless there's a significant disruption to its business, a company that has a track record of positive growth will be well positioned to continue delivering growth.

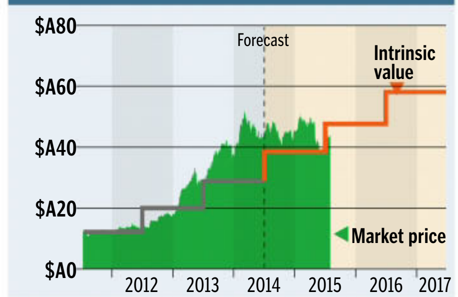
10. Value will keep rising

You know the saying, past performance is no indication of likely future performance. While looking in the rear-view mirror is helpful, it won't give you the nuggets of information to assess what could happen in the future. When hunting for top stocks well positioned to deliver future growth, you need to consider:

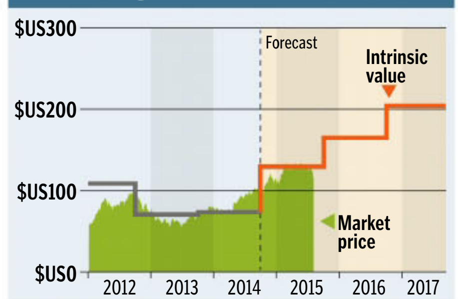
- Is the company in a period of growth, or is growth beginning to stagnate?
- Is the business of the company unique, or can others easily copy it and take market share?
- Have the company's profits risen in all market conditions, or are they susceptible to fluctuating economic cycles?
- Will the company benefit from, or be hindered by, government regulation?

We logged into Skaffold and built a filter that sorted the top stocks from the rest, based on these criteria. The top stocks are below.

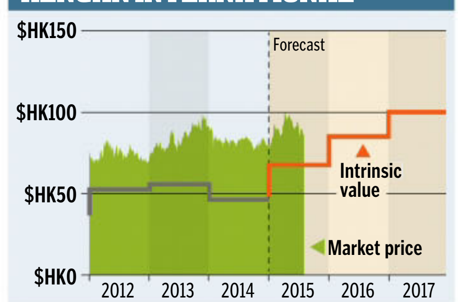
REA GROUP



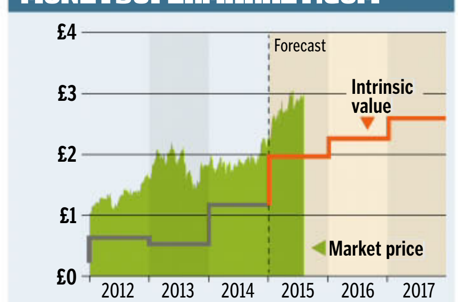
APPLE INC



HENGAN INTERNATIONAL



MONEYSUPERMARKET.COM



21 STOCKS THAT FIT ALL 10 CRITERIA

MARKET	LISTED	STOCKS THAT MADE THE CUT (in order of market capitalisation)
Australia	ASX	REA Group (REA), Domino's Pizza Enterprises (DMP), Technology One (TNE), Altium (ALU), My Net Fone (MNF) and BigAir Gp (BGL).
US	NYSE and NASDAQ	Apple (APPL), Starbucks Corp (SBUX), Priceline Gp (PCLN), Southwest Airlines Co (LUV), Expedia (EXPE), Alaska Air Gp (ALK), H&R Block (HRB), Polaris (PII) and Big Lots (BIG).
Hong Kong	HKE	Hengan International Gp (1044) and CSPC Pharmaceutical Gp (1093)
United Kingdom	LSE	International Consolidated Airlines Gp (IAG), Moneysupermarket.com (MONY), WA Atkins (ATK) and Domino's Pizza Gp (DOM)

No stocks listed on Canadian, Singapore, European or Swiss exchanges made the cut.

DATABANK

Your guide to the super data

Australians have two main investments – their home and their superannuation. Super may not be as riveting a topic but it's just as important for your financial security.

SuperRatings is a totally independent Australian superannuation research company. It is the leading source of superannuation information to the Australian media and is renowned for its timely commentary and opinions on the various superannuation funds available. Calculators, fund comparisons, fund ratings, news and expert opinion can be found at www.superratings.com.au.

The data in these tables compares some of the most popular super funds. They are a mix of industry funds, master trusts and government funds. Industry funds are set up by employer associations and unions; many are offered publicly, some have restricted membership (**NP**). Master trusts (corporate and personal) are set up by banking, insurance or financial planning groups. All performance figures are after all fees, charges and tax applied to the fund have been deducted.

The table here shows performance of funds' balanced options. But most super funds offer many other choices of investment mix.

Returns are as at June 30, 2015.

NP means membership of the fund is restricted.

Pr means performance results are preliminary.

What they mean

Rank All tables have been ranked by their five-year returns. Returns are net of maximum fees. High balances may qualify for lower fees and thus better returns. Rankings for one- and seven-year returns show the performance of the particular fund compared with peers.

SuperRatings rating SuperRatings assesses over 250 superannuation funds and products. The best super fund manager award is given to the fund that provides the best value for money to members in Australia. SuperRatings takes into account risk-adjusted investment performance, fees, insurance, service delivery, education, financial planning facilities, employer support, fund governance and flexibility of the options. The judging is mainly quantitative but does include qualitative assessment. **Platinum** are best value for money funds; **Gold** are good value for money; **Silver**, reasonable value; **Bronze** are below average in performance and features; and **Blue** are bottom of the ladder.

ROLLING MEDIAN RETURNS

Balanced options

Graph shows rolling returns for SuperRatings' SR50 Balanced

BEST SUPER FUNDS: BALANCED OPTIONS

FUND NAME	SEGMENT	5-YR RTN %pa	RANK[1]	1-YEAR RETURN	RANK	7-YR RTN %pa	RANK	2015 RATING
Telstra Super Corp Plus Balanced	Corporate	**10.5%**	1	10.0%	16	7.3%	2	Plat'm
CareSuper Balanced	Industry	**10.3%**	2	10.8%	8	7.0%	5	Plat'm
HOSTPLUS Balanced	Industry	**10.3%**	3	11.0%	5	6.3%	16	Plat'm
AustralianSuper Balanced	Industry	**10.2%**	4	10.9%	7	6.5%	9	Plat'm
Kinetic Super Growth	Industry	**10.2%**	5	8.3%	37	-	-	Gold
REST Core Strategy	Industry	**10.2%**	6	9.5%	28	7.6%	1	Plat'm
UniSuper Accum (1) Balanced	Industry NP	**10.2%**	7	11.0%	4	7.1%	3	Plat'm
Equip Corp Balanced Growth	Industry	**10.1%**	8	10.5%	12	7.1%	4	Plat'm
Cbus Growth	Industry	**10.0%**	9	10.0%	17	6.3%	13	Plat'm
HESTA Core Pool	Industry	**9.8%**	10	10.0%	15	6.4%	12	Plat'm
AustSafe Super MySuper (Balanced)	Industry	**9.7%**	11	10.7%	9	6.4%	10	Gold
GESB Super Balanced Growth Plan	Government	**9.7%**	12	9.5%	27	6.5%	8	Plat'm
BUSSQ Premium Choice Balanced Growth	Industry Pers'l	**9.7%**	13	9.8%	22	6.2%	19	Plat'm
Intrust Core Super Balanced	Industry	**9.6%**	14	10.9%	6	6.1%	20	Plat'm
First State Super Diversified	Industry	**9.6%**	15	9.9%	19	6.6%	7	Plat'm
Aon MT Corp Ess Balanced Growth Active	MT-Corporate	**9.6%**	16	10.4%	13	5.9%	22	Plat'm
Catholic Super Balanced	Industry	**9.5%**	17	9.8%	21	6.4%	11	Plat'm
Vision SS Balanced Growth	Industry	**9.5%**	18	9.2%	31	5.5%	31	Plat'm
Plum Pre-mixed Moderate	MT-Corporate	**9.5%**	19	9.7%	24	6.3%	15	Plat'm
VicSuper FutureSaver Balanced	Industry	**9.5%**	20	9.9%	18	6.2%	18	Plat'm
SR50 Bal'd (60%-76% growth) Index Median		9.1%		9.6%		5.9%		

[1] Rankings are made on returns to multiple decimal points.

SUPERRATINGS INDICES: MEDIAN RETURNS

Index	1-year return	3-year returns	5-year returns	7-year returns
SR25 High Growth (91%-100%) Index	11.7%	15.9%	10.3%	5.8%
SR50 Growth (77%-90%) Index	10.7%	14.1%	9.8%	6.0%
SR25 Conservative Bal (41%-59%) Index	7.3%	9.4%	7.4%	5.4%
SR50 Capital Stable (20%-40%) Index	5.7%	6.9%	6.4%	5.3%
SR25 Secure (0-19%) Index	2.5%	3.3%	3.8%	3.7%
SR25 Property Index	10.8%	9.9%	9.9%	4.0%

Percentages in brackets indicate proportion of growth assets.

TOP 10 AUSTRALIAN SHARES SUPER FUND OPTIONS

FUND NAME	SEGMENT	5-YR RTN %pa	RANK	1-YEAR RETURN	RANK	7-YR RTN %pa	RANK	2015 RATING
Perpetual WealthFocus Industrial Share	MT Personal	12.3%	1	7.2%	9	9.7%	1	Silver
MLC MKey MLC IncomeBuilder	MT Corporate	11.8%	2	10.5%	1	8.8%	2	Gold
REST Australian Shares	Industry	11.0%	3	7.5%	7	7.8%	3	Plat'm
Catholic Super Australian Shares	Industry	10.5%	4	7.3%	8	7.4%	5	Plat'm
Telstra Super Corp Plus Australian Shares	Corporate	10.5%	5	5.4%	28	6.5%	8	Plat'm
HOSTPLUS Australian Shares	Industry	10.4%	6	7.9%	3	7.5%	4	Plat'm
HESTA Australian Shares	Industry	10.3%	7	5.4%	30	7.2%	6	Plat'm
Perpetual WealthFocus Aust. Share Fund	MT Personal	10.3%	8	2.4%	49	6.9%	7	Silver
AustralianSuper Australian Shares	Industry	10.1%	9	6.3%	14	6.2%	13	Plat'm
StatewideSuper Australian Shares	Industry	10.1%	10	7.0%	11	5.9%	19	Gold
SR50 Australian Shares Index Median		9.2%		5.7%		5.9%		

ROLLING MEDIAN RETURNS

Australian share options

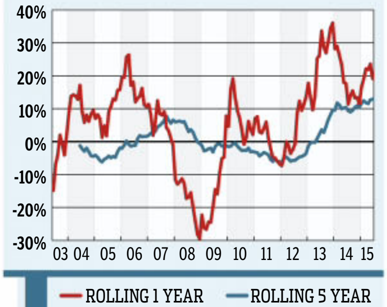
Graph shows the rolling returns for SuperRatings' SR50 Australian Shares Index median since June 2003

TOP 10 INTERNATIONAL SHARES SUPER FUND OPTIONS

FUND NAME	SEGMENT	5-YR RTN %pa	RANK	1-YEAR RETURN	RANK	7-YR RTN %pa	RANK	2015 RATING
LUCRF Super International Shares	Industry	14.7%	1	17.0%	35	8.5%	5	Plat'm
CareSuper Overseas Shares	Industry	14.5%	2	20.5%	21	10.1%	1	Plat'm
Equip Corp Overseas Shares	Industry	14.4%	3	22.0%	15	8.6%	3	Plat'm
AMP SS Specialist Hedged International Share	MT-Corporate	14.3%	4	10.2%	49	5.3%	38	Gold
Plum Vanguard International Shares Index	MT-Corporate	14.3%	5	23.7%	4	8.2%	11	Plat'm
UniSuper Accum (1) International Shares	Industry NP	14.2%	6	22.4%	13	8.5%	7	Plat'm
Kinetic Super Overseas Shares	Industry	14.0%	7	15.3%	44	-	-	Gold
Intrust Core Super International Shares	Industry	13.8%	8	18.2%	29	6.7%	25	Plat'm
BT Lifetime Super Emp BT International Share	MT-Corporate	13.8%	9	22.4%	12	8.3%	8	Silver
REST Overseas Shares	Industry	13.8%	10	20.5%	22	8.5%	4	Plat'm
SR50 International Shares Index Median		12.9%		19.2%		6.8%		

ROLLING MEDIAN RETURNS

International share options



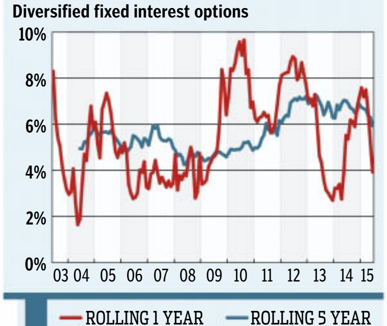
Graph shows the rolling returns for SuperRatings' SR50 International Shares Index median since June 2003

TOP 10 DIVERSIFIED FIXED INTEREST SUPER FUND OPTIONS

FUND NAME	SEGMENT	5-YR RTN %pa	RANK	1-YEAR RETURN	RANK	7-YR RTN %pa	RANK	2015 RATING
HOSTPLUS Diversified Fixed Interest	Industry	8.1%	1	5.9%	2	7.7%	1	Plat'm
AustralianSuper Diversified Fixed Interest	Industry	7.6%	2	6.0%	1	7.5%	5	Plat'm
RBF RBF Fixed Interest	Government	7.5%	3	5.4%	5	7.7%	2	Plat'm
StatewideSuper Diversified Bonds	Industry	7.0%	4	5.5%	4	7.3%	6	Gold
CareSuper Fixed Interest	Industry	6.8%	5	4.9%	6	7.1%	8	Plat'm
AustSafe Super Fixed Interest	Industry	6.8%	6	4.2%	11	7.6%	4	Gold
REST Bond	Industry	6.7%	7	5.8%	3	7.3%	7	Plat'm
Aon MT Corp Ess Fixed Interest Diversified	MT Corporate	6.3%	8	4.6%	8	6.5%	11	Plat'm
Mercer Super Trust Mercer Fixed Interest	MT Corporate	6.1%	9	4.6%	9	6.5%	10	Plat'm
Equip Corp Fixed Interest	Industry	6.1%	10	4.1%	12	6.6%	9	Plat'm
SR25 Diversified Fixed Interest Index		5.9%		3.9%		6.4%		

ROLLING MEDIAN RETURNS

Diversified fixed interest options



Graph shows the rolling returns for SuperRatings' SR25 Diversified Fixed Interest Index median since June 2003

TOP 10 CASH SUPER FUND OPTIONS

FUND NAME	SEGMENT	5-YR RTN %pa	RANK	1-YEAR RETURN	RANK	7-YR RTN %pa	RANK	2015 RATING
MAP Cash	MT Corporate	4.0%	1	2.6%	4	4.1%	1	Silver
Aust Catholic Super & Ret Cash	Industry	3.8%	2	2.5%	14	3.9%	4	Plat'm
Vision SS Cash	Industry	3.7%	3	2.6%	2	4.0%	2	Plat'm
RBF RBF Cash	Government	3.7%	4	2.5%	6	3.8%	7	Plat'm
Intrust Core Super Cash	Industry	3.7%	5	2.6%	3	3.5%	15	Plat'm
Sunsuper for Life Cash	Industry	3.7%	6	2.5%	9	3.8%	5	Plat'm
Energy Super Cash Deposit	Industry	3.7%	7	2.5%	10	-	-	Plat'm
NGS Super Cash & Term Deposits	Industry	3.7%	8	2.5%	11	3.8%	8	Plat'm
Christian Super Ethical Cash	Industry	3.6%	9	2.4%	18	3.7%	12	Gold
Club Plus Super Cash	Industry	3.6%	10	2.4%	16	3.7%	10	Plat'm
SR50 Cash Index		3.2%		2.3%		3.4%		

ROLLING MEDIAN RETURNS

Cash options

Graph shows the rolling returns for SuperRatings' SR50 Cash Index median since June 2003

Your guide to the managed funds data

Professionally managed investment funds can be the way to go if you don't have the time or expertise to manage your own investments. For a fee, the professionals do the work for you.

Morningstar (www.morningstar.com.au), a leading global provider of investment research, supplies our managed funds data. There were more than 6000 funds on offer when Morningstar launched its star rating system to help investors to initially identify quality funds. The ratings are not for predicting future performance. Funds less than three years old are not rated and funds smaller than $10 million and with a minimum investment of more than $25,000 have been filtered out. Morningstar relies on the fund managers to supply data monthly; if updates have not been provided, a fund may be omitted.

Here you'll find information on several asset classes – Australian equities, international equities and multisector funds (sometimes called balanced funds). For multisector funds we show the asset allocation for selected funds. Returns are as at July 31, 2015, and other data is correct as at July 31, 2015. For any enquiries about the funds tables, you can contact Morningstar on 1800 034 455 or help.au@morningstar.com.

APIR Identification number of the fund. They are voluntary and not all fund managers elect to have APIR codes assigned to their funds.

MER/ICR The management expense ratio is the annual management fee paid to the fund manager. The investment cost ratio is a new calculation of this fee, recommended by ASIC and IFSA, and includes an additional performance fee based on the one levied the year before. Fees are a percentage of your investment.

Returns The returns published are net (after) the annual management fee but do not take into account any transaction (entry/exit) fees an investor may have to pay. The returns are before tax.

Entry fees Entry fees are levied on most managed funds. The amount varies between fund managers and depends on the fund's asset class. International funds generally attract the highest entry fees – up to 6% of the amount invested. You can avoid most entry fees by going through a discount broker. If you are using the services of a financial adviser, try to negotiate a discount. If you go directly to a fund manager you'll usually be charged the full entry fee. Nil-entry-fee options are often available but higher management expense ratios usually apply.

Star rating Morningstar calculates and publishes star ratings for over 7000 funds monthly using the latest fund performance data. For a Morningstar star rating, a fund must be at least three years old.

★★★★★ very good performer ★★★★ good performer ★★★ average performer ★★ poor performer ★ very poor performer

NAp Not applicable **NAv** Not available

TOP 5 RETAIL AUSTRALIAN SHARE FUNDS BY SIZE

FUND NAME	APIR	MER/ICR %pa	REG SAV PLAN	MINIMUM INVESTMENT	SIZE	1-YEAR RETURN	5-YEAR RETURN	STAR RATING
Fidelity Australian Equities	FID0008AU	0.85%	✗	$25,000	**$4594m**	8.36%	11.68%	★★★★★
Perpetual Wholesale Industrial	PER0046AU	0.99%	✓	$25,000	**$2114m**	9.23%	13.50%	★★★★
Ausbil Australian Active Equity	AAP0103AU	0.90%	✗	$20,000	**$2005m**	5.99%	9.77%	★★★★
Perpetual Wholesale Australian	PER0049AU	0.99%	✓	$25,000	**$1420m**	1.64%	10.91%	★★★★
Perennial Value Shares Wholesale Trust	IOF0206AU	0.92%	✓	$25,000	**$1335m**	7.54%	8.64%	★★★

TOP 5 STOCKHOLDINGS

AUSTRALIAN SHARE FUND: Fidelity Australian Equities	HOLDING
National Australia Bank Ltd	9.86%
Commonwealth Bank of Australia	7.99%
Westpac Banking Corp	7.52%
ANZ Banking Group	7.03%
QBE Insurance Group	5.45%

TOP 5 RETAIL INTERNATIONAL SHARE FUNDS BY SIZE

FUND NAME	APIR	MER/ICR %pa	REG SAV PLAN	MINIMUM INVESTMENT	SIZE	1-YEAR RETURN	5-YEAR RETURN	STAR RATING
Platinum International	PLA0002AU	NAv	✓	$20,000	**$11,004m**	21.84%	12.29%	★★★
Magellan Global	MGE0001AU	1.35%	✓	$20,000	**$7628m**	40.41%	21.49%	★★★★★
Walter Scott Global Equity	MAQ0410AU	NAv	✗	$20,000	**$2151m**	33.09%	15.28%	★★★
Grant Samuel Epoch Gbl Eq Shldr Yld Uhg	GSF0002AU	NAv	✗	$25,000	**$1832m**	26.95%	16.02%	★★★
IFP Global Franchise	MAQ0404AU	1.38%	✗	$20,000	**$1809m**	42.85%	21.10%	★★★★★

TOP 5 STOCKHOLDINGS

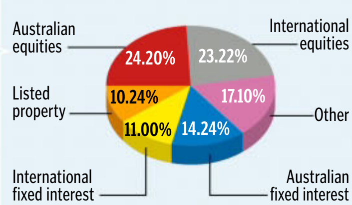
INTERNATIONAL SHARE FUND: Platinum International	HOLDING
Reynolds American Inc	2.24%
Altria Group	1.92%
Vodafone Group	1.90%
AT&T Inc	1.83%
National Grid	1.80%

TOP 5 RETAIL MULTI-SECTOR FUNDS BY SIZE

FUND NAME	APIR	MER/ICR %pa	REG SAV PLAN	MINIMUM INVESTMENT	SIZE	1-YEAR RETURN	5-YEAR RETURN	STAR RATING
Advance Balanced Multi-Blend Ws	ADV0050AU	NAv	✓	$5000	**$3196m**	8.93%	8.77%	★★★
Advance Growth Multi-Blend Ws	ADV0085AU	NAv	✓	$5000	**$2637m**	10.04%	9.36%	★★
IOOF MultiMix Balanced Growth Trust	IOF0093AU	NAv	✗	$25,000	**$2294m**	13.31%	10.11%	★★★★
North Index Balanced	NMM0113AU	NAv	✗	$100	**$1937m**	11.97%	10.68%	★★★★
Advance Moderate Multi-Blend Ws	ADV0091AU	0.83%	✓	$5000	**$1862m**	6.57%	7.51%	★★★

ASSET ALLOCATION

Advance Balanced Multi-Blend Wholesale



TOP 5 RETAIL AUSTRALIAN SHARE FUNDS BY 5-YEAR PERFORMANCE

FUND NAME	APIR	MER/ICR %pa	START DATE	1-YEAR RETURN	5-YR RTN %pa	SIZE	STAR RATING
Perpetual Wholesale Ethical SRI	PER0116AU	1.18%	3-May-02	12.45%	**16.05%**	$864m	★★★★★
Perpetual Ws Share Plus L/S	PER0072AU	1.50%	14-Mar-03	7.21%	**15.27%**	$727m	★★★★★
Antares Prof Dividend Builder	PPL0002AU	0.87%	6-Sep-05	12.73%	**14.84%**	$194m	★★★★
Perpetual WFIA-Perpetual Ethical SRI	PER0491AU	2.28%	10-Nov-08	11.22%	**14.78%**	$26m	★★★★★
Perpetual WFIA-Perpetual Share Plus L/S	PER0495AU	2.19%	10-Nov-08	6.15%	**14.24%**	$13m	★★★★

TOP 5 STOCKHOLDINGS

AUSTRALIAN SHARE FUND: Perpetual Wholesale Ethical SRI	HOLDING
National Australia Bank	8.39%
Westpac Banking Corp	7.38%
Freedom Nutritional Products	5.55%
Commonwealth Bank of Australia	5.20%
Suncorp Group	3.83%

TOP 5 RETAIL INTERNATIONAL SHARE FUNDS BY 5-YEAR PERFORMANCE

FUND NAME	APIR	MER/ICR %pa	START DATE	1-YEAR RETURN	5-YR RTN %pa	SIZE	STAR RATING
CFS FC W Inv-PM Capital Ws Global Cos	FSF0798AU	1.20%	24-Feb-06	49.97%	**22.33%**	$15m	★★★★★
CFS FC Inv-PM Capital Global Cos	FSF0813AU	1.82%	6-Mar-06	51.43%	**21.97%**	$11m	★★★★★
Magellan Global	MGE0001AU	1.35%	29-Jun-07	40.41%	**21.49%**	$7628m	★★★★★
IFP Global Franchise	MAQ0404AU	1.38%	17-Nov-04	42.85%	**21.10%**	$1809m	★★★★★
PM Capital Global Companies	PMC0100AU	4.68%	28-Oct-98	45.80%	**18.72%**	$290m	★★★

TOP 5 STOCKHOLDINGS

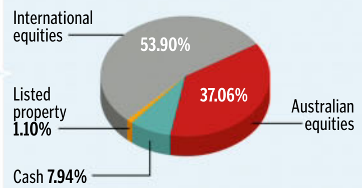
INTERNATIONAL SHARE FUND: PM Capital Global Companies	HOLDING
ING Groep	7.53%
Lloyds Banking Group	6.80%
Barclays	5.51%
JPMorgan Chase & Co	5.19%
Bank of America Corp	5.15%

TOP 5 RETAIL MULTI-SECTOR FUNDS BY 5-YEAR PERFORMANCE

FUND NAME	APIR	MER/ICR %pa	START DATE	1-YEAR RETURN	5-YR RTN %pa	SIZE	STAR RATING
BT Class Inv Split Growth	BTA0012AU	1.55%	12-Mar-84	23.02%	**14.38%**	$223m	★★★★
Perpetual Ws Split Growth	PER0066AU	1.16%	17-Mar-99	21.71%	**13.85%**	$27m	★★★★★
North Multi Manager Active High Growth	IPA0070AU	NAv	29-Oct-07	15.46%	**13.29%**	$78m	★★★★★
North Index High Growth	NMM0115AU	0.45%	1-Sep-99	15.57%	**13.04%**	$355m	★★★★★
Fiducian Ultra Growth	FPS0014AU	NAv	1-Dec-08	18.35%	**12.96%**	$83m	★★★★★

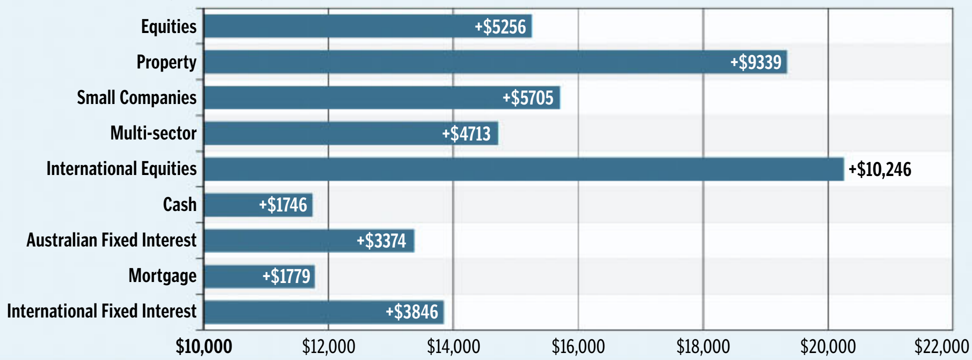
ASSET ALLOCATION

Perpetual Wholesale Split Growth



VALUE OF $10,000 BY ASSET CLASS

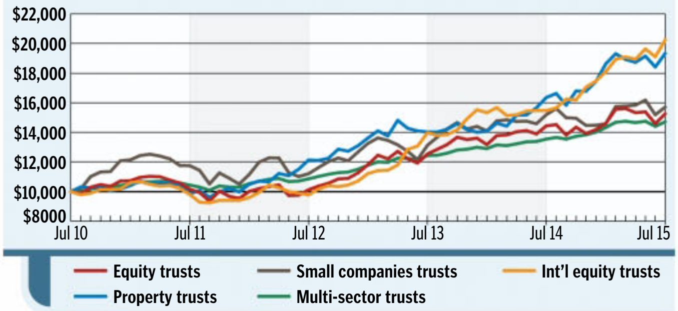
$10,000 invested in July 2010 to July 2015



The bar chart shows the five-year growth of $10,000 invested in different asset classes at the end of July 2010 until the end of July 2015. The property funds sector is showing the positive impact of managers becoming more conservative after the GFC and reducing debt. The strength of the international equity sector is partly because of the fall in the Australian dollar. $10,000 invested in the average-performing international share fund would have grown to $20,246 over the five-year period.

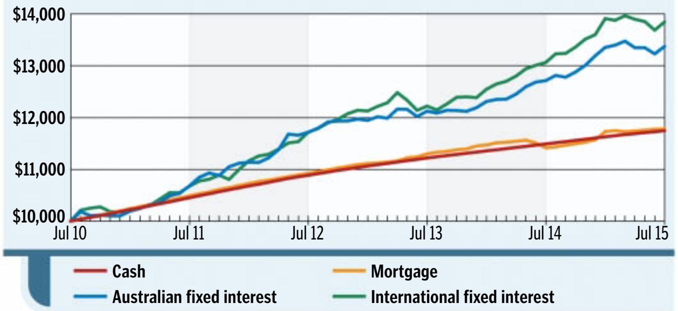
GROWTH OF $10,000 IN GROWTH ASSET CLASSES

$10,000 invested in July 2010 to July 2015



GROWTH OF $10,000 IN INCOME CLASSES

$10,000 invested in July 2010 to July 2015



SQM research

Your guide to the real estate investment trust (REIT) data

SQM Research is one of Australia's most respected property research companies which specialises in providing accurate property related information, ratings and forecasts covering residential property and real estate related managed funds.

Funds data Supplied by SQM Research. Performance data as at June 30, 2015.

SQM ratings SQM has been an official rater of managed investment schemes since 2007 and, while perhaps better known for its residential property research, SQM's ratings sector is a core and integral part of its business. Here is what they mean: **4.5+** stars, **outstanding;** 4 stars to 4.25 stars, **superior; 3.75** stars, **good; 3.5 stars**, average; **3.25 stars, caution required; 3** stars, **strong caution required; below 3** stars, avoid or **redeem. NR** means the fund is not **rated.**

Disclaimer: SQM Research is an investment research firm that undertakes research on investment products exclusively for its wholesale clients, utilising a proprietary review and star rating system. Information contained in these tables attributable to SQM Research must not be used to make an investment decision. The SQM Research rating is valid at the time of publication, however it may change at any time. While the information contained in the rating is believed to be reliable, its completeness and accuracy is not guaranteed. The SQM Research star rating system is of a general nature and does not take into account the particular circumstances or needs of any specific person. Only licensed financial advisers may use the SQM Research star rating system in determining whether an investment is appropriate to a person's particular circumstances or needs. You should read the product disclosure statement and consult a licensed financial adviser before making an investment decision in relation to these investment products.

DOMESTIC PROPERTY SECURITIES FUNDS BY 5YR RETURNS

FUND	APIR	MER/ ICR	START DATE	SIZE	1-YR RTN	3-YR RTN (%PA)	5-YR RTN (%PA)	SQM RATING
Legg Mason Property Securities Trust	SSB0128AU	0.74%	Jan 1995	$178m	20.2%	21.9%	**17.4%**	4.25
EQT SGH Wholesale Property Income Fund	ETL0119AU	0.95%	Nov 2005	$424m	16.8%	18.3%	**16.7%**	4.50
APN A-REIT Fund	APN0008AU	0.85%	Jan 2009	$901m	19.0%	18.1%	**15.0%**	4.25
Folkestone Maxim A-REIT Securities Fund	COL0001AU	0.95%	Oct 2005	$12m	20.3%	18.4%	**14.7%**	4.00
BT Wholesale Property Securities Fund	BTA0061AU	0.65%	Nov 1997	$319m	19.7%	17.4%	**14.1%**	4.50
Principal Property Securities Fund	PRE0001AU	0.80%	Apr 2003	$5m	19.4%	17.5%	**14.1%**	3.75

TOP 5 STOCK HOLDINGS

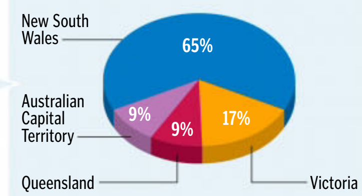
Folkestone Maxim A-REIT Securities Fund	PORTFOLIO
Scentre Group	14.5%
Westfield Corp	17.7%
Stockland	10.2%
Goodman Group	9.6%
GPT Group	8.3%

DIRECT PROPERTY AND HYBRID PROPERTY SECURITIES FUNDS BY 5YR RTNS

FUND	APIR	MER/ ICR	START DATE	SIZE	1-YR RTN	3-YR RTN (%PA)	5-YR RTN (%PA)	SQM RATING
Charter Hall Direct Office Fund Ws Class A Units	MAQ0842AU	1.27%	Oct 2014	$34m	30.3%	15.7%	**14.2%**	NR
AMP Capital Wholesale Australian Property Fund	NML0001AU	1.10%	Feb 1985	$630m	7.9%	10.1%	**8.5%**	NR
Australian Unity Healthcare Property Trust	AUS0112AU	1.37%	Feb 2002	$363m	9.5%	9.2%	**8.1%**	4.5
Australian Unity Retail Property Fund Wholesale	YOC0008AU	1.57%	Aug 2010	$23m	11.3%	8.6%	**7.1%**	NR
Australian Unity Healthcare Property Trust Class A Units	AUS0037AU	1.28%	Feb 2009	$161m	6.7%	7.5%	**6.9%**	NR

GEOGRAPHIC ALLOCATION

AMP Capital Wholesale Australian Property Fund



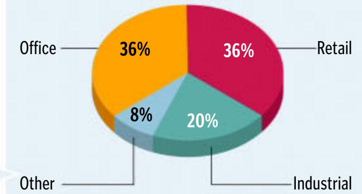
Mar 31, 2015, quarterly reporting SOURCE: SQM RESEARCH

MORTGAGE TRUSTS BY 5YR RETURNS

FUND	APIR	MER/ ICR	START DATE	SIZE	1-YR RTN	3-YR RTN (%PA)	5-YR RTN (%PA)	SQM RATING
Trilogy Monthly Income Trust	TGY0003AU	0.98%	Feb 2007	$24m	8.3%	8.3%	**8.6%**	3.50
La Trobe Aust Mortgage Pooled Mortgages	LTC0002AU	1.17%	Oct 2002	$477m	6.0%	6.5%	**7.1%**	4.00
La Trobe Aust Mortgage Cash & Mortgages	LTC0001AU	1.17%	Jun 1999	$151m	2.9%	3.8%	**4.8%**	NR
AIMS Commercial Mortgage Fund	MCK0005AU	0.90%	Jan 2004	$86m	3.3%	3.9%	**4.8%**	3.75

SECTOR ALLOCATION

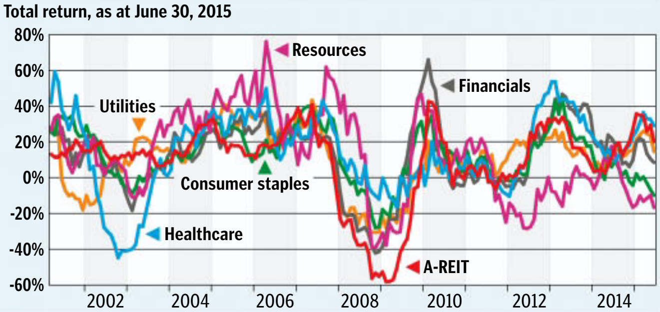
AIMS Commercial Mortgage Fund



At Mar 31, 2015 SOURCE: SQM RESEARCH

S&P/ASX 300 SECTOR INDICES

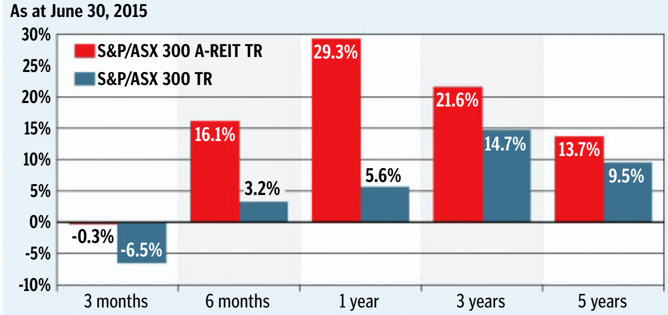
Total return, as at June 30, 2015



SOURCE: BLOOMBERG, SQM RESEARCH

TOTAL RETURNS

As at June 30, 2015



SOURCE: BLOOMBERG, SQM RESEARCH

Your guide to the real estate data

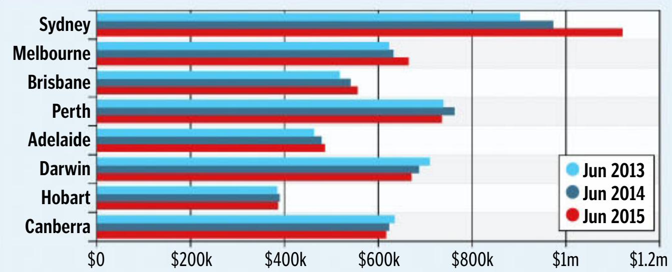
This month the data supplied is for the cheapest home loans available. It is important to be aware that the cheapest loan is not always the best loan for you. Low-rate home loans generally offer fewer features and less flexibility than premium loans. And be sure to work out the features you need before you shop because features such as offset or redraw can save you thousands on interest.

Home loan data Supplied by Canstar, correct as at August 11, 2015.

AAPR The annualised average percentage rate: Interest rates and fees are incorporated for easy comparisons among loans. The AAPRs are for a $250,000 loan over 25 years.

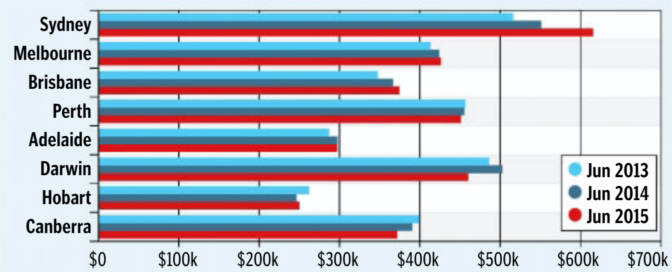
House and unit price chart The quarterly capital city median house and unit prices are compared with the median prices in the same quarter a year earlier and two years earlier. Similarly the capital city residential vacancy rates and stock levels are compared over three years. Supplied by SQM Research. Information is correct as at June, 2015.

MEDIAN HOUSE PRICES



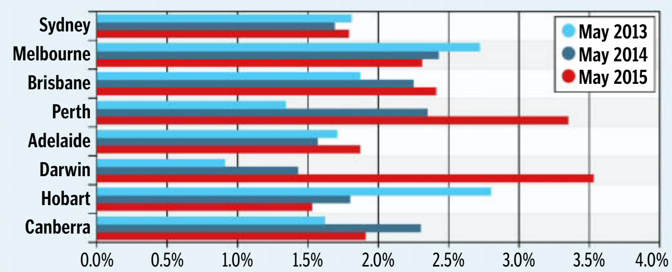
SOURCE: SQM RESEARCH

MEDIAN UNIT PRICES



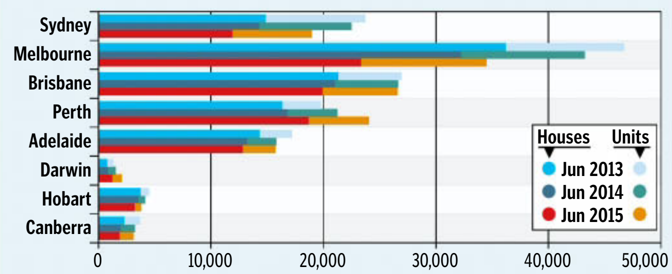
SOURCE: SQM RESEARCH

VACANCY RATES



SOURCE: SQM RESEARCH

TOTAL STOCK ON MARKET FOR SALE HOUSES & UNITS



SOURCE: SQM RESEARCH

SQM's house index is based entirely on freestanding houses and terraces; other indices normally include townhouses as part of houses and are lower. SQM puts townhouses, villas, duplexes into units, hence the unit median index is higher than others. SQM also incorporates asking prices in its index for an update less weighted to lagging Valuer General data.

LOW-RATE HOME LOANS

Institution	Product	Rate	AAPR	3 payment options[1]	IO available[2]	Lump sum repayments	Redraw	Upfront costs
Mortgage HOUSE	Pure and Simple ULTRA	3.89%	3.89%	✓	✗	✓	✓	none
Homestar Finance	Basic Refinance	3.94%	3.95%	✓	✗	✓	✓	none
Mortgage View	Special Offset to 70%	3.97%	3.98%	✗	✗	✓	✓	none
AMO Group	Basic Variable	3.93%	3.98%	✓	✓	✓	✗	$1180
Mortgage HOUSE	Pure and Simple	3.99%	3.99%	✓	✗	✓	✓	none
Reduce Home Loans	Rate Buster Variable Fee Free	3.98%	3.99%	✗	✓	✓	✓	$1150
Homestar Finance	Homestar Plus	3.98%	4.00%	✓	✓	✓	✓	$495
Homestar Finance	Homestar Plus Gold	3.98%	4.00%	✓	✓	✓	✓	$495
Freedom Lend	Freedom Variable	3.98%	4.01%	✓	✓	✓	✓	$825
Easy Street Fin Serv	Easystreet Basic Variable	3.99%	4.01%	✓	✗	✓	✓	$500
HSBC	Home Value Owner Occupier	3.99%	4.03%	✓	✓	✓	✓	$852.50
AMO Group	Variable Home Loan	3.98%	4.03%	✓	✓	✓	✗	$1180

Ranked by AAPR (3 dec pl), then alphabetically. No loan listed has a penalty for exceeding repayment limits or an ongoing fee.

[1]Weekly, fortnightly and monthly. [2]Interest-only payments.

FIVE-YEAR FIXED HOME LOANS

Institution	Rate	Max lump sum repayment
Freedom Lend	4.24%	$10,000
AMO Group	4.28%	no max
Pacific Mortgage Group	4.29%	no max
Homestar Finance	4.45%	$10,000
Newcastle Permanent	4.49%	$25,000
Qantas Credit Union	4.49%	$10,000
Teachers Mutual Bank	4.49%	no max
UniBank	4.49%	no max
BankVic	4.54%	$10,000
CUA	4.55%	no max
UBank	4.57%	$20,000
ING DIRECT	4.58%	$10,000

Ranked by rate, then alphabetically. Penalty can apply for exceeding repayment limit. Fees vary.

Your guide to the money data

The key to smart credit is to be informed about what's on offer. Whether you're looking for the cheapest credit card, a card loaded with bells and whistles, a cheap personal loan or a high-paying term deposit you'll find the cream of the financial crop here.

CANSTAR (www.canstar.com.au), a leading researcher on financial services, supplies the data. CANSTAR research covers more than 15,500 retail products, including mortgages and credit cards.

The products in the money data have been grouped and then ranked using variables such as the advertised rate of interest and the effective rate. Where a more complicated ranking methodology is required, CANSTAR applies its "five star" ranking system.

Star ratings take into account fees, features and flexibility. A five-star rating indicates that a product ranks in the top 5% of those available in Australia. Five-star products can be simple, low-cost products or fully featured but also reasonably priced.

What they mean

Five-star credit cards The CANSTAR credit card star ratings were arrived at in May 2015 after considering cost and a qualitative analysis of card features and associated reward programs. The relative competitiveness is indicated by the number of stars. Five stars denotes "excellent qualities". Features and costs may have changed since the rating was decided.

Nominal rate The nominal interest rate is the simple annual interest rate. It's the amount you would earn if you were paid interest in one lump sum at the end of the year.

Effective rate The effective rate takes into consideration interest payments during the year. If interest is paid, say, monthly, there is a "compounding" effect over the year, as interest is paid on interest. Information is correct as at August 11, 2015.

FIVE STAR CREDIT CARDS – CONSTANT CREDIT

INSTITUTION	PRODUCT	RATE	ANNUAL FEE	INTEREST FREE DAYS[1]	REWARDS PROGRAM
ADCU	Low Rate Visa	10.99%	$49	55	✗
bankmecu	Low Rate Visa	9.89%	$59	0	✗
BankVic	Visa Silver	11.95%	none	44	✗
Community First CU	McGrath Pink Visa	8.99%	$40	55	✗
Community First CU	Low Rate Visa	8.99%	$40	55	✗
Greater Building Society	Credit Card	11.95%	$40	55	✗
Intech Credit Union	Titanium Visa 55	9.99%	$46	55	✗
ME Bank	frank	9.99%	none	55	✗
Police Bank	Visa	10.76%	$30	55	✗
SCU	Low Rate Visa	10.49%	$30	55	✗
Select Credit Union	Visa	10.99%	$30	55	✗
Teachers Mutual Bank	Teachers Credit Card	11.50%	none	55	✗
Victoria Teachers Mutl Bank	Visa Platinum	9.99%	$84	55	✗

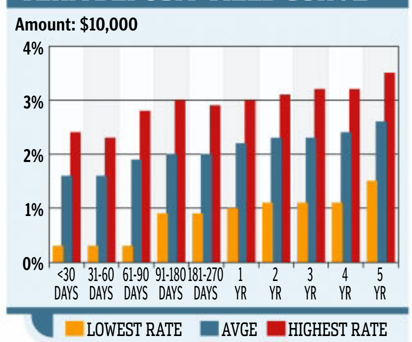
Listed alphabetically. [1]After statement date. **Constant Credit Spenders** use their cards routinely and regularly spend more than they can afford. They are rarely able to repay the balance in full each month. Interest rates and fees are the major factors for these users.

FIVE STAR CREDIT CARDS – EVERYDAY SPENDER

INSTITUTION	PRODUCT	RATE	ANNUAL FEE	INT'T FREE DAYS[1]	REW PROGRAM
ANZ	Rewards Platinum	18.79%	$149	55	✓
Big Sky Building Society	Cash Rewards Visa	16.58%	$49	45	✓
Coastline Credit Union	Visa Rewarder	17.00%	$75	55	✓
Coles	Rewards/Platinum Rewards MC	19.99%	$89	62	✓
Coles	Std/Platinum No Annual Fee MC	19.99%	none	62	✓
Commonwealth Bank	Std/Platinum MasterCard	20.24%	$59/$249	55	✓
Credit Unions[2]	Platinum MasterCard	20.24%	$99	55	✓
HSBC	Platinum	19.99%	none	55	✓
Hume Bank	Gold/Loyalty	17.95%	$60/$30	55	✓
ME Bank	frank	9.99%	none	55	✗
Myer	Myer Visa	20.69%	$69	62	✓
NAB	Velocity/Velocity Prem Rewards	19.99%	$95/$150	44	✓
NAB	Qantas Rewards	19.99%	$95	44	✓

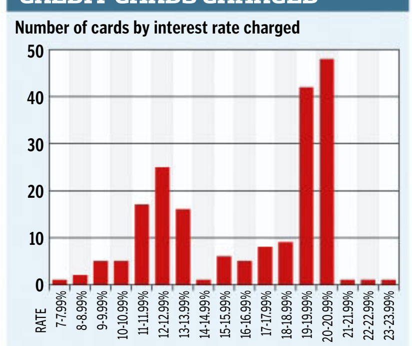
A selection listed alphabetically. [1]After statement date. [2]Beyond Bank, Catalyst Money, CUA, FCCS CU, Holiday Coast CU, Illawarra CU, IMB, MyState, QT Mutual Bank, Queenslanders CU, Service One Members Banking, The Shire CU, Unicredit WA and others; see cardservicesdirect.com.au.
Everyday Spenders use their cards for most of their spending but stay within their budgets. Typically they spend more than habitual spenders but pay the balance in full each month. Card rewards and other features are far more important in their choice of card than fees and interest rates.

TERM DEPOSIT YIELD CURVE



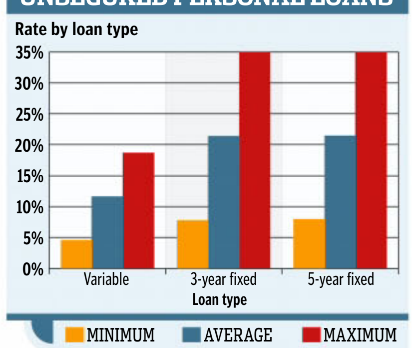
SOURCE: CANSTAR

CREDIT CARDS CHARGED



SOURCE: CANSTAR

UNSECURED PERSONAL LOANS



SOURCE: CANSTAR

LOW RATE CREDIT CARDS

INSTITUTION	PRODUCT	RATE	INTEREST FREE DAYS[1]	ANNUAL FEE	REWARDS PROGRAM
Quay Credit Union	Visa	**7.99%**	55	$36	✗
Community First CU	Low Rate Visa & McGrath Pink Visa	**8.99%**	55	$40	✗
bankmecu	Low Rate Visa	**9.89%**	0	$59	✗
ME Bank	frank	**9.99%**	55	none	✗
Intech Credit Union	Titanium Visa 55	**9.99%**	55	$46	✗
G&C Mutual Bank	Low Rate Visa	**9.99%**	50	$50	✗
Victoria Teachers Mutual Bank	Visa Platinum	**9.99%**	55	$84	✗
SCU	Low Rate Visa	**10.49%**	55	$30	✗
Police Bank	Visa	**10.76%**	55	$30	✗
ECU Australia	Low Rate Visa	**10.95%**	55	$48	✗
Select Credit Union	Visa	**10.99%**	55	$30	✗
ADCU	Low Rate Visa	**10.99%**	55	$49	✗

Ranked by annual interest rate, then fee, then interest-free days, then alphabetically. [1]After statement date.

SAVINGS ACCOUNTS WITH PROMOTIONAL BONUSES ($2000)

INSTITUTION	PRODUCT	NOMINAL RATE	PROMO BONUS	RATE W'OUT ANY BONUS	PERIOD AND CONDITIONS
RaboDirect	High Int Savings Pers'l	**3.50%**	0.95%	2.55%	New accounts; 4 months
Citibank	Online Saver	**3.40%**	0.80%	2.60%	New accounts; 4 months
Bank of Sydney	SuperRate Account	**3.30%**	1.05%	0.00%	2.25% min $200 dept pm, linked acct; 4m
BankSA/Bank of Melbourne	Maxi Saver	**3.20%**	1.70%	1.50%	New account holders; 3 months
St.George Bank[1]	Maxi Saver	**3.20%**	1.70%	1.50%	New account holders; 3 months
Bankwest	TeleNet Saver	**3.15%**	1.15%	2.00%	New account holders; 4 months
Westpac	eSaver	**3.11%**	1.36%	1.75%	New accounts; 3 months
BOQ	WebSavings	**3.10%**	0.95%	2.15%	New customers; 4 months
ANZ	Online Saver	**3.10%**	1.10%	2.00%	New accounts; 3 months

Ranked by nom. rate, then w'out bonus, then alpha. Initial dep't may need to be >$2000. [1]NSW, Qld, Vic, WA, Tas

SAVINGS ACCOUNTS WITH CONDITIONAL BONUSES ($2000)

	PRODUCT	NOMINAL RATE	COND'L BONUS	RATE W'OUT BONUS	BONUS CONDITIONS
RAMS	Saver	**3.60%**	1.60%	2.00%	Min $200 dept pm & no withdrawals
ING DIRECT	Savings Maximiser	**3.50%**	1.25%	2.25%	Min $1000 dept pm, linked ING account
UBank[1]	USaver with Ultra	**3.37%**	1.06%	2.31%	External dept $200pm into Ultra account
ME Bank	Online Savings	**3.20%**	0.95%	2.25%	Hold Everyday TA; purch via Paypass weekly
CUA	eSaver Plus	**3.05%**	0.90%	2.15%	Min $200 deposit pm, no withdrawals
RaboDirect	PremiumSaver	**3.05%**	1.65%	1.40%	Balance increase of $200 at month's start
NAB	Reward Saver	**3.05%**	2.55%	0.50%	Min one deposit pm, no withdrawals
Bankwest	Regular Saver	**3.05%**	3.05%	0.00%	$50-$500 deposit pm, no withdrawals

Ranked by nom rate (excl promo rate if any), then w'out bonus, then alpha. Initial dep't may need to be >$2000. [1]USaver account must be in credit.

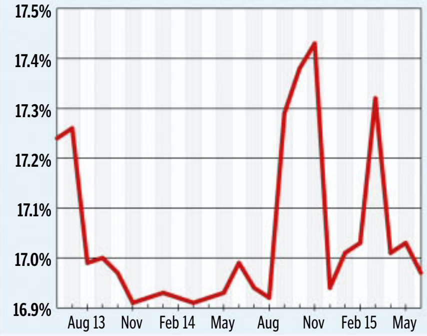
UNSECURED PERSONAL LOANS ($10,000)

INSTITUTION	PRODUCT	MAXIMUM INT. RATE	ONGOING FEE (PA)	ESTABLISHMENT FEE	MAXIMUM LOAN
RateSetter	Unsecured Personal Loan	**4.60%**	none	$200	$35,000
Citibank	Ready Credit	**6.90%**	none	$129	$60,000
RateSetter	Unsecured Personal Loan Fixed	**7.75%**	none	$200	$35,000
Community Mutual Group	Enviro Loan	**7.95%**	none	$195	none
Newcastle Permanent	Personal Loan Unsecured	**7.99%**	none	$195	$30,000
Citibank	Ready Credit Fixed Payment	**8.99%**	none	$99	$60,000
Summerland CU	Eco Loan Unsecured	**9.25%**	none	$130	none
bankmecu	Personal Loan Property Owners	**9.39%**	none	$150	none
SocietyOne	Unsecured Loan AA borrower	**9.65%**	none	none	$35,000

Ranked by the maximum rate and establishment fee then listed alphabetically.

CREDIT CARD INTEREST

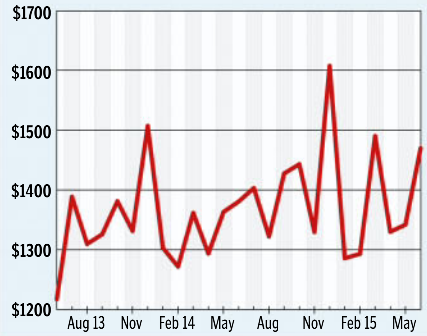
Average interest charged



SOURCE: CANSTAR

AVERAGE CREDIT CARD SPEND

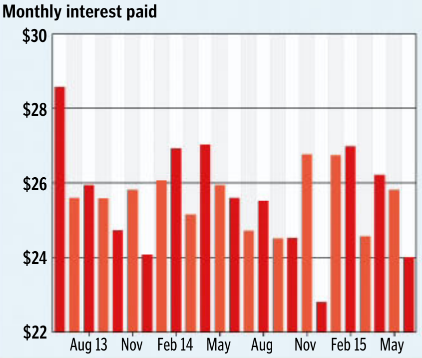
Per card each month



SOURCE: CANSTAR

CREDIT CARD INTEREST

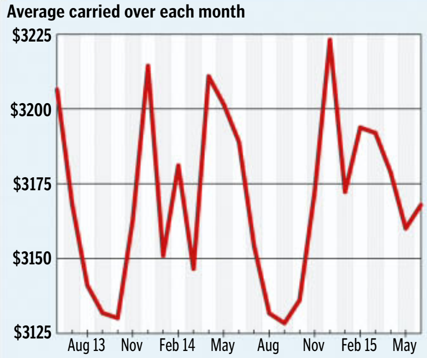
Monthly interest paid



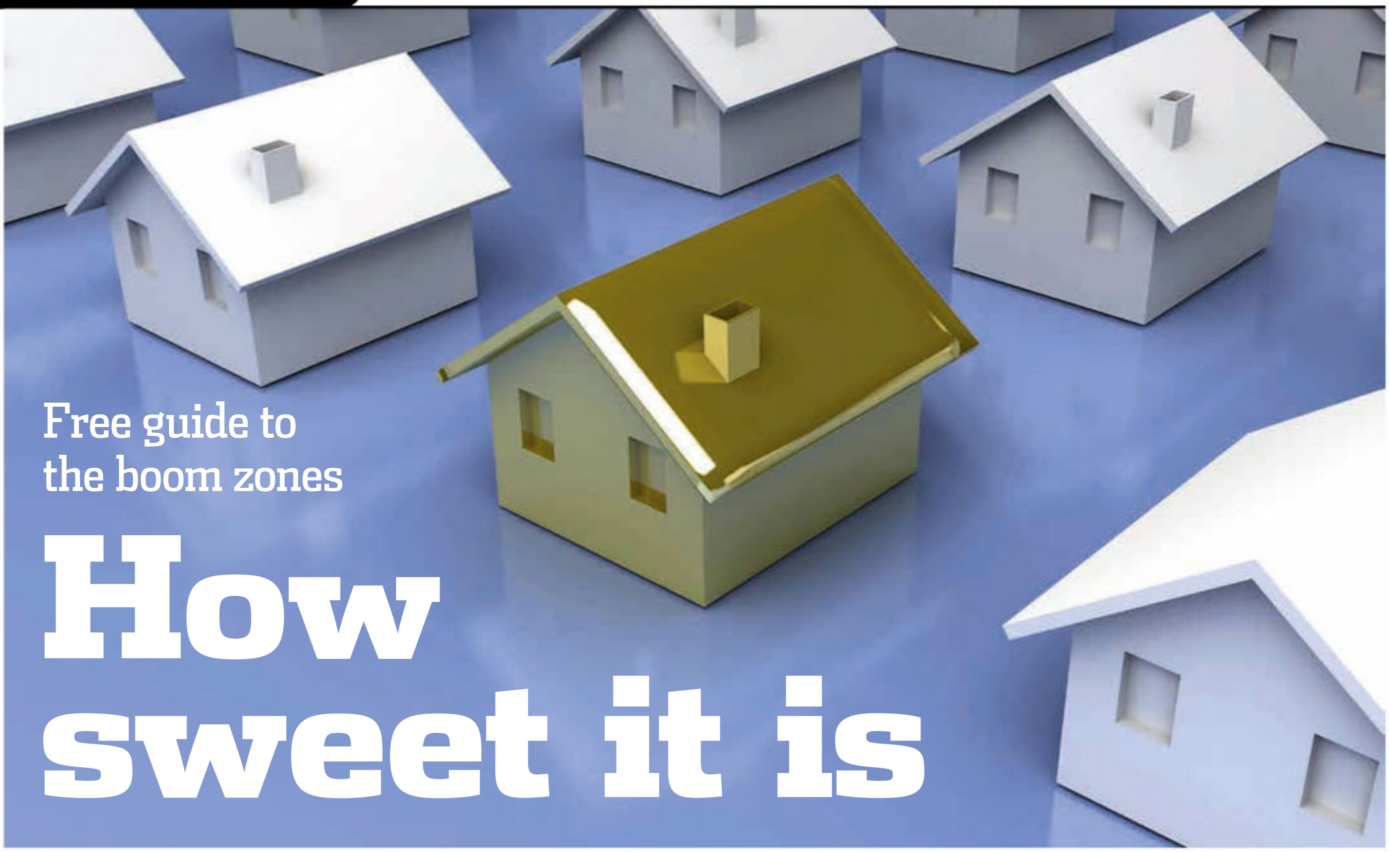
SOURCE: CANSTAR

CREDIT CARD DEBT

Average carried over each month



SOURCE: CANSTAR



Free guide to the boom zones

How sweet it is

DID YOU KNOW THAT you can now pinpoint future up-and-coming hotspots, all the way down to the specific street? Thanks to the combined efforts of hotspotting.com.au and ripehouse.com.au, that's exactly what you can investigate in a single report. The new *SweetSpots* report by Hotspotting and Ripehouse can provide you with the research, analysis and resources to discover the best places to buy based on growth drivers. This month, *Money* readers are lucky enough to be able to grab a copy of the $154 *SweetSpots* report for free.

But what makes a high-growth area? According to the report, places with the highest potential for growth are dependent on proximity to key locations. Having a school nearby is vital for growing families, so you wouldn't want to narrow your tenancy audience by choosing an investment property that's more than a kilometre away from the nearest school. Being close to a shopping centre and bus stop or train station is just as important, because it gives tenants direct access to public resources.

While it's important to be close to schools, shops and transport hubs, try to avoid being too close. For a school, the sweet spot is between 200m and 700m. Who wouldn't love the idea of their kids being able to walk to school? But if you happen to sit closer than 200m, and you can anticipate a collection of surrendered Frisbees and soccer balls piling up in the backyard, then you probably shouldn't pick it as an investment property.

For a shopping centre, the sweet spot is within 1200m. If you don't have a car, it's ideal to be able to access your local grocer by foot.

But try not to get too close. If you're within 100m-200m of a shopping centre, you're at risk of high-density traffic throughout the day, which can be noisy and dangerous, especially if you've got children.

Being close to public transport is an absolute must. Not everyone is lucky enough to have their own car, and if you rely on public transport to get to work, you will have no choice but live somewhere close to a bus stop or train station. The optimum distance from public transport is between 800m and 1200m. Any closer, and you can be subject to a bit of noise pollution (and literal pollution) – any further away and you might be isolating your tenants from their workplace and family.

If you manage to find the trifecta, and discover a property that's a sweet spot for all three, then you're looking at a 20% positive impact on value. When you're looking for a good deal, it's very important to take everything into consideration.

A sweet spot will have good affordability, developed infrastructure and strong tenancy demand. It's also important to be a fair distance from less desirable factors. For instance, you can expect a street close to a high concentration of public housing to go for 20% less than average.

Complimentary path to some hot property

Save $154

Visit ripehouse.com.au/sweetspotsreport.
- Enter your details.
- Enter the promo code MONEY.
- Select "Get my report" to receive your free report in your inbox.

Note: Free report offer ends September 30, 2015.